

INDIA
IMPERIAL
PREFERENCE

SIR ROGER LETHBRIDGE, K.C.I.E.



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**INDIA
AND
IMPERIAL PREFERENCE**

Mr. Chamberlain on Imperial Preference

‘I am profoundly convinced that of all the bonds that can unite nations, the bond of commerce is the strongest ; and the perception of this fact will, I feel assured, ultimately lead to the closer union between Great Britain and her Colonies, which I can see to be the **only** foundation for a great Empire.’

INDIA AND IMPERIAL PREFERENCE

WITH STATISTICAL TABLES

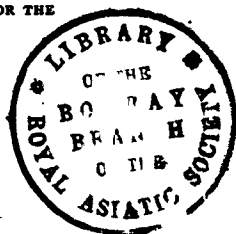
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PREFACE

AT this moment, the popular aspirations of India, in matters commercial and industrial, are summed up in the one word 'Swadeshi'—'My own country's products for me.' The existing fiscal policy, imposed on India by our British prejudices, is universally believed to be maintained solely in the interests of British manufacturers—though, as I shall show, we are being steadily ousted from the Indian markets by our Protectionist rivals. And the extreme politicians of the Indian National Congress already, not unnaturally, gratify the national wishes by preaching a social boycott of British, as well as foreign, goods ; and they frankly declare that, if they were able to do so, they would impose protective, and even prohibitive, duties on all imports alike.

But no British politician believes in the possibility of purely Indian 'Swadeshi,' as against British goods. It would ruin Lancashire, and cripple all our staple manufactures, and no House of Commons, whether Radical or Conservative, will ever stoop to such quixotic folly.

The aim of the essays here collected, founded mainly on articles contributed by me to the *Englishman* of Calcutta, is to advocate the only reasonable, the only patriotic, the only possible, 'Swadeshi,' which is Imperial Preference. That will benefit equally the Indian and the British subjects of King Edward. I dedicate these

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pages to my numerous friends of Indian birth, whose affectionate regard I am grateful for and warmly reciprocate. In the proposals submitted I know I am voicing the ardent wishes of many of them. I owe far more to India than I can ever repay, and my Indian friends will know that I advocate Imperial Preference, *first*, because I believe it will benefit India and her peoples, and *secondly*, because I believe it will attach her more closely than ever to the Empire of which we are all proud.

I have prefixed an Analytical Table of Contents, to show at a glance the general scope of my arguments and conclusions, and I have added, as appendices, the extracts from the official publications of the British, Indian, Colonial, and foreign Governments upon which those arguments are based.

I desire to express my gratitude to the editors of the *Outlook* and the *Western Morning News*, as well as to the proprietors of the *Englishman*, for allowing me to make copious extracts from articles of mine contributed to their columns. And my thanks are also due to the Controller of His Majesty's Stationery Office for his courtesy in permitting me to reprint some statistical tables from the Blue-Books.

ROPER LETHBRIDGE.

EXBOURNE MANOR, DEVON.

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INDIA AND IMPERIAL PREFERENCE

CHAPTER I

INTRODUCTION : THE POSITION OF INDIA UNIQUE

§ 1. In any reasonable scheme for the Commercial Federation of the British Empire India must occupy the chief place after the Mother Country. At this moment, among the constituent States of the Empire, she is at once the largest producer of food and raw material and one of the largest consumers of manufactured products. And potentially, with her 300,000,000 of thrifty, industrious, and progressive workers and consumers, she is a commercial unit of greater importance in the world, whether for exports or for imports, than almost any other.

§ 2. I shall show in these pages that she occupies a position of unrivalled and unassailable commercial strength. All the commercial countries of the world are really competitors for the privileges of buying from her and of selling to her ; for she is the best and cheapest source of their food and raw materials, possessing a monopoly of some of these, while she offers by far the largest and most receptive market for their manufactures. By her fiscal arrangements she could do deadly injury to any who attacked her, while she herself is practically invulnerable.

§ 3. I shall show that to India, by reason of her having drawn, and being able to draw, inexhaustible supplies of cheap capital and trustworthy technical skill

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from the United Kingdom, her British trade is of infinite importance to her financial and industrial stability. But she is perfectly independent, so far as her own interests are concerned, in her commercial relations with other countries.

§ 4. From every point of view of production and requirement the United Kingdom and India are almost exactly complementary. What the one most needs the other can best supply. Together they constitute an absolutely self-contained and self-sufficing commercial and industrial unit.

§ 5. I shall show that, for India alone, out of all the constituent States of the Empire, Imperial Preference will mean practically (with quite insignificant exceptions) absolute Free Trade within the Empire.

§ 6. India already possesses a small General Tariff—quite sufficient for Preference within the Empire, and ready for defensive purposes outside. For this reason the adoption of Imperial Preference would be a much simpler and easier matter than anywhere else in the Empire, for it would not necessarily involve the imposition of a single rupee of fresh taxation, but only the remission of existing taxation on imports from the United Kingdom and the Colonies. If India thought this would be a good thing for her own industrial and trading interests—which it certainly would be when coupled with Protection from foreign dumping—it seems quite incredible that Free-Trade fanaticism could be carried to such a lunatic excess as to induce any Lancashire member, or any elector in the British manufacturing districts, to oppose 'the open door' of 300 millions of customers.

§ 7. The Colonies are already attached to us by ties of race-loyalty and kinship. With India we have only the golden link of the Crown, and all else must depend on the strength of mutual interest and mutual respect. Mr. Chamberlain, in his 'Message to Canada,' wisely

observed, 'I am profoundly convinced that, of all the bonds that can unite nations, the bond of commerce is the strongest, and the perception of this fact will, I feel assured, ultimately lead to the closer union between Great Britain and her Colonies, which I can see to be the only foundation for a great Empire.' This bond of union with the Motherland is desired by India and the Indian peoples: can any British patriot refuse to sanction it?

✓ § 8. For India is awakening—as Japan has already awakened—to the consciousness of her own greatness, and of her own inherent capabilities. She feels that she possesses qualifications for commercial and industrial success greater even than Japan—vast populations of industrious and intelligent workers, immense undeveloped tracts of cultivable land, ample products of every useful kind, cheap and efficient labour in the masses, with much commercial ability among the educated classes, and the command of cheap capital from England. Her educated classes demand, and rightly demand, protection for her nascent industries. Rebuffed and irritated by British 'Free-Trade' fanaticism, they are blindly groping after some alternative form of protection in the shape of 'Swadeshi'—the voluntary abstention from the use of commodities not made in India—and the social boycotting of British as well as of foreign goods. I shall deal with this in my next chapter. But every intelligent man, be he Indian or European, knows full well that, so long as the House of Commons retains any authority over Indian administration, the idea of India imposing protection against Lancashire goods and other British-made commodities is an idle and mischievous dream.¹

¹ I have been assured that, in the General Election of 1906, some dishonest Free Fooders actually had the audacity to ask for Lancashire votes on the absurd pretence that Imperial Preference might encourage such Indian Protection, thus defeating the very

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And, seeing that Parliament can never, by any possibility, confer on the Indian Government any powers of protection against the rest of the Empire, any more than we can give Kent protection against Surrey or Sussex, the wise and patriotic Indian will gladly accept that form of Protection which is possible, and which will help her industries to compete on fair terms with the dumping and protected foreigner. That form of protection is Imperial Preference, which will at once protect Indian nascent industries, and foster friendly intercourse among the citizens of the Empire.

§ 9. I venture to claim for these papers of mine that their arguments and conclusions, whether right or wrong, whether accurate or inaccurate, have at any rate been framed on strictly scientific lines that will be accepted as such by every trained and experienced economist.

Of course, in applying pure economics to questions of high policy, I admit at once that I rely very largely on considerations of political advantage or disadvantage. And—as an earnest believer in the ‘National’ theories of List, Hamilton, Carey, and the other economists who have been universally accepted as the safest guides in fiscal questions by the whole civilised world outside the realms of the Cobden Club—I consider herein the political advantages or disadvantages likely to accrue, not so much to humanity at large (for the foreigner is taking very good care of himself everywhere), but to India in the first place, and in the second place to the British Empire.

I believe it will now be generally admitted that this method is absolutely necessary in all questions relating to human action. Considerations of political advantage or disadvantage must be weighed with the simple busi-

purpose implied in the word ‘Preference,’ for which the policy is devised! I deal with this atrocious hypocrisy—which is on a par with the ‘terminological inexactitudes’ about Chinese slavery—at pp. 9, 60, and elsewhere.

ness considerations of economical advantage or disadvantage. One of the ablest writers of the modern school, Mr. L. S. Amery, Fellow of All Souls, has aptly pointed out that the fundamental fallacies of the Cobdenite theory of Free Imports are due to the fact that it is 'based on assumptions contradicted by all the teachings of history, by the whole nature of man, and by the structure of human society.' And one of the most lucid, most sincere, and least arrogant of the writers on the other side—Mr. A. C. Pigou, Fellow of King's—has emphasised this fact, in his interesting treatise on 'Protective and Preferential Import Duties,' by discussing the economic and the political aspects respectively of Imperial Preference, each on its own merits in separate chapters. Oddly enough—as it seems to me—his objection to Preference is almost entirely a political one.

In these days every sciolist who has read Adam Smith, and knows something, perhaps, of the popular treatises of John Stuart Mill and his contemporaries, is ready to dogmatise about what he calls 'Free Trade' and 'Protection'—terms which he frequently uses with widely different connotations almost in the same breath. But I can honestly aver—and I hope my readers will not think me presumptuous if I venture to emphasise the fact—that the opinions I have here submitted to the public are the results of life-long study. When I was an undergraduate at Oxford, in the time of Professor Bonamy Price, I took up the subject, like many others still in India, because it was understood to 'pay' in the examinations. But in after years I followed it because of its fascinating interest to every one who cares for the material welfare of India and its peoples. I became Professor of Political Economy, both in the Presidency College and in other Colleges of the University of Calcutta. For many years I was Examiner in Political Economy for the University, both in the examinations for the M.A. degree and in those for the Premchand Roychand studentship;

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and I believe I had the privilege of teaching such distinguished economists as Mr. Lal Mohun Ghose, the Hon. Mr. Justice Sarada Charan Mitra, and others. Subsequently, as Press Commissioner of India, I had the unwelcome task of endeavouring to justify to the Indian public Lord Lytton's introduction of the system of Free Imports—a system that was insisted on by Lancashire M.P.'s, and objected to by nine-tenths of the Civil Service, and by the whole of Indian public opinion—that was called 'Free Trade,' artfully enough, by those who wished to disguise the fact that it was intended to operate, and did operate, as 'Protection' for Lancashire cotton goods. Now that I have long ago retired from the Service, and am no more bound to official reticence, I may freely confess that when I spoke or wrote of those 'Free Imports'—free to the cotton goods of the 'Protected' mills of Saxony as well as to the 'Free-Trade' mills of Lancashire—under the official name of 'Free Trade' I was compelled by a guilty conscience to 'wink the other eye.' And so were we all at that time; no one really believed in the hypocrisy about 'Free Trade.' And later—when I had retired from the Service and was in a position of greater freedom and less responsibility—I had the pleasure of warmly supporting the efforts (unavailing though they unhappily proved) of such typical and honoured Indians as the Maharaja Sir Jotindra Mohan Tagore and others, in opposition to the mischievous and inquisitorial excise duties on Indian-made cotton cloth, that were imposed in 1894, duties which will, I hope, be swept away by Imperial Preference. I must apologise to my readers for mentioning these personal experiences. I do so merely to prove to them that the views which I am now offering to them for their acceptance have not been suddenly or lightly adopted, but have been earnestly held by me during a long and busy public life,

CHAPTER II

THE POLITICAL VALUE OF IMPERIAL PREFERENCE TO INDIA

§ 1. The Imperial Colonial Conference will henceforward consist not only of the Colonial Premiers and of representatives of the Colonial Office, as hitherto, but also of delegates from India and from some or all of the chief Crown Colonies. It will at all meetings doubtless discuss Imperial Defence and other questions affecting the Empire at large. But all the world knows that the most important, because the most urgent, business to occupy the deliberations of the Conference will be the proposals for Imperial Commercial Federation, or Imperial Preferential trading, that took their origin in the former meetings of the Colonial Premiers, that have subsequently been advocated by Mr. Chamberlain, Mr. Balfour, and other fiscal reformers at home, and that are being adopted among themselves by the greater Colonies in a practical form.

§ 2. The tentative measures in the direction of Imperial Preference that are being started by the self-governing Colonies are, of course, as yet on a comparatively small scale, for they are without the co-operation either of the United Kingdom or of India. I give, in Appendix A, the chief provisions of these schemes of Preference so far as they have already (January 1907) been settled by the Governments of New Zealand, South Africa (the Customs Union), Dominion of Canada,

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West India Islands. Mr. Winston Churchill claims the result of the late General Election as a 'mandate' against Imperial Preference, as between the United Kingdom and the rest of the Empire—though he frankly admits that his Government and Party will cordially approve of the principle if it be applied only to the Colonies. So in these tentative measures the Colonies have not courted a rebuff by inviting Mr. Churchill and his colleagues to join in their Imperial plans. Indeed, there is a regrettable significance in the fact that the New Zealand Government in a recent announcement regarding intending reciprocity, having regard to the claims of racial kinship, puts the United States of America into its list with the other British Colonies, in the place that would have been occupied by England and India if the elections had gone differently. And Canada, in the revision of her tariff arrangements that came into force on November 30, 1906, while she retained (and in some cases improved) the British Preferential rates on the most favoured scale, introduced also an 'Intermediate Tariff,' better than the General Tariff, though not so favourable as the British Preferential Tariff; for the purpose of friendly reciprocity with such foreign countries as may offer like treatment. In all our Colonies, as throughout the whole of the civilised world outside the realms of the Cobdenite Mumbo Jumbo, the strong tendency of commerce is a centripetal one, in the direction of great agglomerations of kindred States united for fiscal purposes. The centrifugal and disruptive tendency is now fostered only among the Radicals and Little Englanders of the United Kingdom.

§ 3. Mr. Balfour, writing as leader of the Unionist Party to Mr. Chamberlain on February 14, 1906, declared categorically that 'the first constructive work of the Unionist Party' must be 'to secure more equal terms of competition for British trade and closer com-

mercial union with the Colonies.' This view, though not shared by Sir Henry Campbell-Bannerman and his supporters, has subsequently been re-affirmed as the official view of the solid Unionist Party, and will be carried into effect whenever that party regains the position in Parliament which it had held during so many years until last January.

§ 4. It is, therefore, of infinite importance to the welfare of India that the true public opinion of the country, both from the Indian-born as well as from the European side, should be elicited and formulated. It is obvious that that public opinion ought to be grounded, mainly and in the first place, on a purely material and economical basis—on what is likely to be most helpful to the economical development and enrichment of the country. At the same time it will be admitted by all Anglo-Indians, and by a very large number of our loyal Indian fellow-subjects, that the political advantages of a closer commercial union with the United Kingdom and the British Colonies ought not to be overlooked or ignored, as has been too generally the case in India. We are all agreed that the political inclusion of India in the world-wide British Empire is of equal advantage to India and to the Empire. We are all desirous of seeing a great development of the industrial and commercial life of India; and most of us—probably nearly all Indians and a majority of Anglo-Indians—are convinced that that development cannot be attained without some form of fiscal preference, be that form small or great.

§ 5. We all know, as a matter of fact, that it is childish and futile to speculate on any form of preference that would act as 'Protection' against Lancashire or against British products in general, for it is absolutely certain that no British Parliament, whether Conservative or Radical, would look at such an arrangement for a moment,

But a 'Swadeshi' movement that should include the United Kingdom and the Colonies, as well as India, in its purview would meet, to a large extent, the just and reasonable economical requirements of India. It would be at once immensely popular with our Colonists, with the solid Unionist Party in Britain and India, and with all that is best and most loyal among our Indian-born fellow-subjects. And when it is found that Imperial Preference, so far from injuring our foreign trade, would largely increase it—as has already been the case in Canada¹—while enormously stimulating our British and Colonial trade, and causing a marvellous expansion of Indian industries and Indian commerce, then even the doubting Thomases among our Anglo-Indian Radicals will be convinced, and the stoutest advocate of purely Indian Swadeshi will admit that Imperial Swadeshi is at least the 'next best thing.' Let us see to it that, whenever the Imperial Conference meets, our Indian representatives know full well what India needs, and what she wishes to gain, within these reasonable and practical limitations ; as Mr. Chamberlain assured Sir M. M. Bhaunagri, the fiscal reformers wish nothing more than this for India, while the *soi-disant* Free Traders will hardly have the face to propose less.

§ 6. For Imperial Preference in the case of India—therein differing somewhat from Colonial conditions—ought to commend itself equally to Free Traders and to Protectionists, if regard be had to the practical objects of both parties and to the existing conditions of Indian trade. For it means at once Free Trade for the Empire, including India, and for India herself adequate protection without a rise of prices.

In the first place, it need not, probably will not, involve the imposition of a single rupee of additional taxation on the goods we import from foreign countries.

¹ For Canadian statistics see p. 38.

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It will only mean the remission of much existing taxation on British and Colonial products. These remissions will be more than amply compensated by reciprocal remissions of British and Colonial taxation on Indian products. And this reciprocity will mean (1) cheaper prices for Indian consumers, and consequently largely enhanced purchasing power among them for foreign as well as for British and Indian goods, and (2) stimulated production of exports for the similarly improved British and Colonial markets. And to these very obvious advantages should be added the many benefits that will flow from the abolition of the odious excise duty that is now levied on products of many Indian mills—not the least of those benefits being the stoppage of that popular irritation that is always caused by a tax of an inquisitorial nature.

It has often been remarked that, with the adoption of Imperial Preference, the United Kingdom and India alone will constitute the greatest, richest, and most populous fiscal unit and Free Trade area that the world has ever seen—far more important in all these aspects than the United States of America, which now form the biggest area possessing internal Free Trade and fiscal unity. This consideration ought to be sufficient to fire the imagination of every economist who has learnt the advantages of real as distinguished from one-sided Free Trade; for we can supply all each other's wants, and thereby retain within the fiscal unit all the benefit and profits of 'the double bargain,' on which the far-sighted policy of the immortal Alexander Hamilton founded the prosperity of the United States. And at the same time the mutual preference will be sufficient to ensure so much 'protection' for the industries both of England and of India as may be compatible with absolute commercial union and absolute mutual friendliness.

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§ 7. Mr. Deakin, who may be regarded as the Alexander Hamilton of the Commonwealth of Australia, in a great speech delivered in the Federal Parliament on December 8, 1904, showed in a few words how immense would be the benefit of the Hamiltonian 'double bargain' to the British Empire, and how largely it would increase the 'national dividend' of each of the States participating in its profits under a system of Imperial Preference. He said, in the course of a convincing speech on the general subject:—

'The only figures I propose to quote here are those which indicate the possibility of diverting within the Empire trade which is at present without it. I find that in 1903 the imports—including gold and bullion—into the Empire represented upwards of £900,000,000. Adding the exports of the Empire for the same year, I find that the total trade was £1,600,000,000. There must be a large proportion of these imports which the Empire cannot produce profitably, and a large proportion of exports which we cannot consume. With those I will not deal. The enormous magnitude of those figures suffices to show the margin we have to work upon. They show the portion of our trade which now leaves only one of its profits within the Empire, and puts another profit in the pockets of our rivals and possible enemies. That trade may be retained within the Empire.'

§ 8. And the political advantages that will flow from fiscal union—the welding of the constituent parts of the scattered Empire into one compact homogeneous body—were the considerations, as affecting the Colonies and the Mother Country, that first induced Mr. Chamberlain as Colonial Secretary, to become the apostle of Commercial Federation. It is strange that they have, as yet, been so little regarded in India—for surely India, though thoroughly loyal to the British Raj, stands more in need

of this friendly welding that is brought about by mutual acts of goodwill than many of the Colonies that have already the ties of race and kinship to bind them together. The old Scottish proverb teaches us that 'Giff-gaff maks guid friens'; and 'giff-gaff,' the friendly 'give and take,' the kindly interchange of mutual benefits, is equally potent in cementing the friendship of nations.

Every Viceroy and every Secretary of State in turn has warned us of the infinite political danger of the sempiternal fiscal war between Britain and India; and yet the wiseacres of the free-fooding and free-foreign-importing persuasion affect to believe that there will be danger of friction between us if we attempt to substitute friendship and mutual preference for hostility and mutual taxation!

Lord Salisbury, when Secretary for India, spoke of this mutual taxation as 'a matter of dangerous contention.' Even Lord George Hamilton in 1896 admitted that: 'the controversy concerning the imposition of duties in India upon the cotton imports of Great Britain is one of the most serious character—it provokes between the two contending industries intense animosity.'

These controversies and animosities will be ended for ever between England and India by the adoption of the friendly system of mutual preference and the abolition of those custom-house barriers which now divide us as foreigners from each other. If we refuse to adopt that system, it is quite certain they will become more and more embittered.

§ 9. It was quite reasonable and proper that these political considerations should have found no prominent place in the discussions on the subject that have taken place in the Bengal Chamber of Commerce, and that no mention of anything of the kind was made in Sir Ernest Cable's clever address, as the representative of that Chamber, to the Conference of the Associated Chambers

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of Commerce of the Empire. 'Business is business' is a sound maxim to be applied to strictly business affairs. The extremely adroit ex-President of the Bengal Chamber was well within his rights when he dispassionately informed the Associated Chambers that, as Germany and the other protectionist foreign countries had already ousted Great Britain from at least three-fourths of the Indian export trade, and as they were yearly increasing that lead—a most important and significant admission—the Bengal Chamber could do nothing that might have even a colourable appearance of favouring the British one-fourth to the disadvantage of the foreign three-fourths of their customers. The argument, stated in these correct terms, is unanswerable. But the fallacy lies in the assumptions (1) that British Preference means a disadvantage to the foreign customer, and (2) that foreign Governments are in the least likely to retaliate, out of mere pique, on account of domestic arrangements within the British Empire that do them no harm, and that are at most only a very small advance in the direction of their own methods. With these fallacies I will deal in Chapters VI. and VII.

§ 10. But it seems strange, and somewhat regrettable, that in the great despatch of Lord Curzon's Government dealing with the general question of Preferential Tariffs not a single word or reference occurs to any of the political advantages that might accrue from a commercial federation between the United Kingdom and India. That despatch dealt simply with the economical side of the question, and was mainly directed to disprove the conclusions of the masterly Minute of Sir Edward Law, the then Finance Member, on which it was supposed to be based. The despatch seemed to be coloured and inspired by a curious dislike of Mr. Chamberlain. It certainly made no attempt whatever either to prove or to disprove the accuracy of

Mr. Chamberlain's views in regard to the political value of Preference—opposing to all such contentions a stolid *non possumus*, entirely inconsistent with the very remarkable array of facts and figures given in Sir Edward Law's Minute.

§ 11. Leaving, then, the consideration of the numerous economical questions involved to be treated of in subsequent chapters, I here venture to insist simply on the political advantages to India and to the Empire of the proposed establishment of a system of Preferential Trading between the United Kingdom and India. That system would mean that the United Kingdom and the Colonies would give more or less free entry (subject only to revenue necessities) to Indian tea, tobacco, sugar, wheat, oil-seeds, and all Indian staples. It is probable that for the present an import duty, perhaps of 2*d.* a lb., would still have to be charged on Indian and Ceylon teas for revenue purposes, but this would not in itself be a very great disadvantage, while the retention of the existing duty on foreign-grown teas would largely aid the revenue without diminishing the increased consumption certain to result from the large remission of duty on British-grown teas. Further than this, the excise duties on the products of Indian cotton mills would be either abolished at once, or at any rate reduced *pari passu* with the reduction of the Indian import duties on Lancashire cotton goods, Yorkshire woollen goods, Sheffield cutlery, and all the numerous imports from the United Kingdom on which we in India now levy a duty.

§ 12. And while India would thus gain both morally and materially, is it nothing that the Empire should be able to draw, from within its own limits, and on terms favourable alike to producer and consumer, all the supplies it needs, both of food and of raw materials? *Fas est et ab hoste doceri*—let me quote what Mr. Cobden

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himself said on that point. In a speech made at Rochdale on October 29, 1862, Mr. Cobden said :

‘ And I will say this, that I doubt the wisdom—I certainly doubt the prudence—of a great body of industrious people allowing themselves to continually live in dependence upon foreign powers for the supply of food and raw material, knowing that a system of warfare exists by which, at any moment, without notice, without any help on their part, or means of prevention, they are liable to have the raw material or the food withdrawn from them—cut off from them suddenly—without any power to resist or hinder it.’

§ 13. This is the ‘ Commercial Federalism ’ which was the dream of Alexander Hamilton for the United States of America, as it was of Friedrich List for Germany. In both cases it has been carried out by such patriotic statesmen as McKinley and Bismarck, not without great difficulties, not without certain sacrifices, but with the approval and applause of the whole world. It is the policy which is now pursued every year with greater confidence and perspicacity by all the great industrial nations with the sole exception of the United Kingdom. In Hamilton’s own words, ‘ it meant the obliteration of State rivalry and the sweeping out, as by a flood, of the litter and decay of ancient jealousies.’ Its ultimate intention, like all the rest of his policy, was union. ‘ His vision,’ it was said of him, ‘ was of one great nation, capable of producing within its own wide borders everything that its citizens would require for life, for comfort, and even for luxury. Independent of its neighbours, it might hope to escape from embroilment in their quarrels ; dependent on the co-operation of its members, it would be secured in the possession of internal peace.’

§ 14. This, too, is Mr. Chamberlain’s vision of the United States of the British Empire. He sees the

United Kingdom, India, Canada, Australia, New Zealand, South Africa, and the rest of them, forming one great nation—**at once united, self-contained, and self-sufficing.** They are all brought by nature within a ring-fence, in the 'setting of the silver sea'—for in these modern days, contiguity by sea is more commodious for commerce than actual contiguity on land. Such an Imperial Federation, in strength, in wealth, in area and population, in everything that makes for national greatness, will far transcend anything that the world has known or can know, if thus united commercially and fiscally. Without those elements of cohesion, its disintegration and ruin would only be a matter of time.

§ 15. I will conclude my examination of this portion of the subject with a quotation from a German expert of the highest authority, the learned Professor Fuchs of the University of Freiburg.¹ His words were published in the early days of the patriotic movement for Imperial Commercial Federation within the British Empire. But their prophetic sagacity is even more apparent now than when they were first published; while the prediction with which he concludes is almost startling when read in the light of recent events:—

'This is the object of the advocates of this policy—that the British Empire should be economically independent of all the rest of the world. Their starting point is that all goods that are objects of demand are produced, in sufficient amount and quality, within the British Empire, or might be by such an Imperial trade policy, and that the British Empire, more than any other country or Empire, might fulfil the conditions of a self-

¹ *The Trade Policy of Great Britain and her Colonies since 1860.* By Carl Johannes Fuchs, Professor of Political Economy in the University of Freiburg. Translated by Constance H. M. Archibald. With a Preface by the Right Hon. J. Parker Smith, M.A., M.P., formerly Fellow of Trinity College, Cambridge.

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sufficient commercial State. . . . On political grounds, England needs, now more than ever, to retain her great colonial Empire. But, owing to the numerous and active centrifugal forces of to-day, this can only be done by a closer union. Such a union England must try to secure at any cost. . . . We have seen to what an extent England is dependent, not only for her industry, but also for the food supply of her people, on foreign trade, and on the undisturbed continuation of the same in time of war. The safeguarding of this immense British trade, and especially the transport of grain, would be altogether impossible without the possession of all her naval bases and coaling stations, in the different colonies. . . . How great an advantage it would be if the supplies of grain came wholly, or preponderantly, from other parts of the Empire, and if England were almost independent of foreign countries for the food supply of her people, is evident when we consider that to-day the greater part of the British grain supply comes from Russia and the United States. . . . And how war can quite suddenly cut off the supplies from a foreign country has been clearly proved by the stoppage of the cotton export from the American States during the War of Secession. . . . It remains to be seen whether time will raise up to England a statesman who possesses clear-sightedness, courage, energy, and tact enough to bring this question to a happy issue—a question which is of so much importance for the future of England, as well for her position among nations as for her trade. But it must be soon, or it will be for ever too late.'

These words of wise and friendly warning to us were written by Professor Fuchs in 1893.



CHAPTER III

IMPERIAL PREFERENCE OUR ONLY DEFENCE AGAINST FOREIGN PROTECTION

§ 1. It is admitted that the Protection in their own home markets that is enjoyed by the great commercial nations that are our rivals in India enables them to use the Indian market as the dumping ground for their surplusage so long as we refuse to allow India to set up a preferential tariff. Of course the manufacturers of the United Kingdom and India do not enjoy this advantage; and that is why the import into India of the protected manufactures of Germany and other protected countries—save only in some special lines whose conditions are discussed in § 4—is progressing at a far more rapid rate than that of the unprotected manufactures of Great Britain. This fact is proved in detail by this year's tables, as shown in Appendix B and C. It is to a large extent masked for the present (a) by the immense volume of the Indian trade that we still hold as a survival of the trade established before this protected competition arose; and (b) more especially by the exceptional and temporary considerations discussed in § 4; and consequently, some short-sighted Free Importers—relying on these ephemeral conditions, and blind to the obvious tendencies disclosed in the statistics—declare that we Britons are 'holding our own' in India.

The issue is clearly one of vital importance to

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Lancashire and the other manufacturing centres of the United Kingdom, and therefore I earnestly invite the attention of Lancashire and all other manufacturing experts to the figures in Appendix B. and those I shall submit to them in this chapter. From the bottom of my heart I believe they stand now at the parting of the ways. The verdict of the manufacturing districts in the General Election of 1906 is sometimes quoted as a refusal of Imperial Preference ; if so, I am convinced that, if that verdict be persisted in, it will mean the absolute loss of the Indian trade and the ruin of our commercial and industrial supremacy.

§ 2. Let me take the last decennial *Statement of the Moral and Material Progress of India* (Blue-book No. 249), published by the India Office in 1903, and check it by the tables given in Appendix B., Appendix C., and the Blue-book No. Cd. 2473 of 1905. These show beyond the possibility of doubt the rapid growth of the protected trade of our foreign rivals, and the stagnation or shrinkage of British trade in all except one or two specially favoured lines.

At page 247 of the Blue-book, the general movement of the external trade of India for the twenty years from 1881-82 to 1901-02 are clearly exhibited by the aid of index numbers. The number 100 indicates, for the year 1881-82, the amount of (1) the aggregate import trade from all countries, (2) the amount of the import trade from each country separately, (3) the aggregate export trade to all countries, and (4) the amount of the export trade to each country separately.

§ 3. Let us take the imports first. The index number indicating the aggregate of the whole import trade of India has risen from 100 in 1881-82 to 176 in 1901-02 ; and consequently, if any one country has 'held its own,' the index number for its imports will have risen from 100 to 176. Now what are the facts

shown by this table? The index number for imports from the United Kingdom has risen from 100 to 136; while the index numbers for the respective imports from the protected countries have risen from 100 in each case to the following numbers:—Germany, 3,881; Belgium, 3,843; Austria-Hungary, 1,332; United States, 253; Russia, 282; France, 203; and Italy, 186.

It will be seen that in the whole of this list the United Kingdom's is absolutely the only import trade that has not 'held its own.' I have never been able to understand how any Free Importer can regard these figures without horror and alarm.

For let it not be forgotten that, at the beginning of this period, only twenty-five years ago, out of a total import trade of 393 million rupees, we Britishers sent to India our manufactures to the tune of 323 millions, while all the rest of the world only supplied 70 millions. At this moment (see Appendix B.), while we have not doubled our consignments, twenty-five years of Protection have enabled Germany and our other rivals to increase their consignments from 70 millions to 300 millions!

§ 4. I have observed above that this disastrous tendency has been somewhat concealed and masked by the very exceptional conditions under which our vast export of cotton goods to India—a trade firmly established long before the adoption of Protection by our rivals—is still carried on.

It is quite true that the trade in cotton piece-goods is, apparently, for the present a striking exception to the general rule, and still for the time preserves its supremacy, encouraging the unscientific observer to hope that it will always be able to defy the competition of protected rivals. I do not remember ever to have seen an explanation of this anomaly from the point of view of strict economics—though, indeed, it is not far to seek. The

simple reason is that the Indian market for these goods is so vast as to be practically limitless. Its power of absorption—at a price—is simply boundless. Consequently, for this cotton-goods market, and for this market only, British manufacturers, equally with their German and other protected rivals, are able to work on the largest scale and at the highest pressure that may be physically possible. Hence, in this cotton-goods market, and in this market only, British manufacturers are only slightly handicapped by the protection enjoyed by the Germans and others in their own home markets, for those home-markets are dwarfed into comparative insignificance by the immensity of the Indian market for cotton-goods. But this is not the case with the Indian market for other British exports: for shawls and hosiery, for hardware and cutlery, for steel and iron, and the rest of them. In all these, British trade with India is notoriously being ousted, gradually but surely, in favour of its protected rivals. And the turn of cotton, too, will come sooner or later if we persist in our suicidal Cobdenite folly. The considerations I have here noted leave the markets of India still open to Lancashire and Scotland, until the cotton industries of Germany, America, and our other protected rivals are enabled, by their artificial expansion, to use the same methods that have been so successfully used in other industries. But after that, the deluge! If we are to avert that awful calamity it can only be by the timely adoption of Imperial Preference. But, in the words I have already quoted from Professor Fuchs, 'it must be soon, or it will be forever too late!'

§ 5. So much for the imports. Now, can the Free Importers get any comfort from the Indian exports? Here are the figures from Blue-book No. 249:—

In 1901-02 the index number indicating the aggregate export trade of India has risen from 100 in 1881-82 to 152. Has the index number for the exports to the

United Kingdom risen from 100 to 152, which would be just 'holding our own' and no more? On the contrary, our index number has actually fallen from 100 to 90!—so that, notwithstanding the vast increase of the general export trade of India, we are now taking actually ten per cent. less of Indian food and Indian raw materials than we were taking twenty years ago! On the other hand, the index number for exports to Germany has risen from 100 to 1,342; that for Belgium from 100 to 240; that for the United States from 100 to 311; and that for France from 100 to 111.

Even the most bigoted Free Importer will be forced to confess that these figures, vouched for by the official returns, are at least such as to demand the most serious instant consideration. They are obviously alarming.

It is true that Mr. Morley regards them philosophically. He tells us frankly, in his last Budget speech, that the Protectionist foreigner has already ousted us from three-fourths of the Indian export trade, and does not deny Sir Ernest Cable's pleasant warning that this tendency is rapidly increasing year by year. But he appears to look on it as a matter of *kismet*—it is our fate as Free Importers to be ousted by Protectionist rivals, and we had better 'take it lying down,' lest the Protectionists go off in a huff and leave India with no foreign customers at all. I will endeavour to deal with Mr. Morley's serious arguments in a later chapter. But, anyhow, this much at any rate is common ground: that India is the best and cheapest market in the world wherein to buy the raw material of most of our manufactures for the employment of our working men; that formerly, before the foreigner took to Protection, we used to buy by far the greater portion of that raw material¹—that already the protected foreigner takes

¹ As an old Bengal officer I can myself remember the time when we used to take, for the mills of Dundee and London,

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more than three-fourths of the whole, to be worked up by German and other foreign artisans—and that every year, under our so called 'Free Trade' system, we take less and less of these raw materials, and the foreigners take more and more. ,

practically every bale of jute exported from Calcutta; now the protected foreigners take by far the greater quantity, and some of our London factories have had to shut up and discharge their workmen.



CHAPTER IV

THE 'SWADESHI' MOVEMENT IN INDIA : ITS POSSIBILITIES AND ITS DANGERS

§ 1. Lord George Hamilton and Sir Henry Fowler, and every other writer or speaker on Indian economical questions, have asserted roundly, and with perfect truth, that Indian public opinion is 'intensely Protectionist.' We have deliberately chosen to insult and irritate that public opinion by the senseless arrogance of what is worshipped in the United Kingdom—but nowhere else in the civilised world—as insular 'Free Trade.' And the natural consequence is, that the National Indian Congress this year, under the leadership of Mr. Dadabhai Naoroji, formerly a Radical M.P., has formally adopted not only the policy of 'Swadeshi'—'My own country's products for me'—but also the social 'boycott' of Lancashire and other British manufactures.

I was sorry to observe that the Hon. Dr. Rash Behari Ghosh, C.I.E.—a most eminent Indian lawyer and the President of the Reception Committee of the Congress—actually excused this 'boycott' resolution, which he must know to be an unfriendly act towards the British commercial community, on the following very insufficient grounds: 'It seems that if you call the movement a boycott of foreign goods you are a traitor to England; but competition with Manchester is not yet treason in the Indian Statute Book.' That is true enough; and the sentiment would be praiseworthy if only the form of

'Swadeshi' advocated by the Congress were that of Imperial Preference, which would mean friendly 'competition with Manchester.' I hope and believe that that policy would really meet the wishes of Dr. Ghosh and his friends. And I shall show presently the reasons for that belief and the possibilities that would attend such a policy.

§ 2. But the 'boycott' is not in any sense 'competition with Manchester;' it is actual prohibition of Manchester goods, and other British goods, so far as a social sanction can effect such a prohibition. That would not be a friendly act, even if applied to the goods of a State like Russia, that levies almost prohibitive duties on those Indian goods which it does not require for its own industries. But when directed against the goods of the Motherland of the Empire, or even against those of any State under the sovereignty of King Edward, its impropriety (to use a very mild term) is obvious on the face of it.

I do not attach any great importance to this resolution, for several reasons. Its bitterness was obviously due to the political excitement among the Bengali-speaking delegates about the partition of Bengal, a question on which they are clearly entitled to hold and express very strong opinions, either on the one side or on the other. When the irritation caused by that unfortunate controversy has passed away, I have little doubt that such an extreme measure as a social boycott will be condemned by all. And even for the moment it seems to have been disapproved as a general measure, and approved only in the special temporary circumstances of Bengal.

But its adoption, even partially and for the time only, ought to teach us the dangers that attend our imposing on India a fiscal system, disapproved by Indian public opinion, that puts British and Colonial

goods on a par with foreign goods, and that forces Indian custom-houses to put British goods in the same category with foreign goods. Such a system not unnaturally suggests the adoption of boycotting in times of public irritation ; and I shall show in the next section that this was the origin of the idea in Calcutta.

§ 3. For the Hon. Dr. Rash Behari Ghosh, in his speech as President of the Reception Committee of the Congress, used these remarkable and very sensible words :—

‘What reasonable man can doubt that the real strength of the Swadeshi movement is to be found in our natural desire to nurse our own industries, *which the Government of India, with their Free Trade principles, are unable to protest by building up a tariff wall?*’

The italics are mine. And the same perfectly intelligible sentiment was even more strongly expressed by Mr. Romesh Chunder Dutt, C.I.E., on the occasion of the opening of the second Indian Industrial Conference at Calcutta on December 29, 1906. Mr. Dutt is one of the most distinguished of those Indian gentlemen who have won places in the Indian Civil Service by open competition. After a long and meritorious service in Bengal—in which he rose to the eminent position of a Commissioner of Division—Mr. Dutt, in 1904, became the Revenue Minister of his Highness the Gaekwar of Baroda. Since then he has been Lecturer in Indian History of University College, London. He is an acknowledged authority on Indian economics, and has written a valuable work on the economic history of his country. And at the Industrial Conference, after giving a most interesting summary of the industrial history of the past twelve months in India, Mr. Dutt continued his speech in these remarkable words :—

'There is a movement which is growing and spreading day by day over the whole continent of India, which the nation has begun earnestly, and which the nation will not let die. The Swadeshi movement is an industrial revolution, more far-reaching in its effects than many political revolutions; and history will record in future ages how the people of India, in the commencement of the twentieth century, effected their own industrial salvation. *Without any control over our own tariff* or financial arrangements . . . we have determined, simply by giving preference to our home manufactures, to revive the industrial activity of this vast country and to improve the condition of our industrial population.'

§ 4. In a fiscal debate in the House of Lords in 1903 the late Lord Northbrook hazarded the remark that India 'had prospered under its recent adoption of Free Trade.' The whole of that portion of the Press of India that is conducted by Indian-born scholars, and not a few Anglo-Indians, cried out with one voice against this statement. A well-known Madras economist, Mr. Subramani Iyer, put forth a strong protest in *East and West*, one of the leading Indian reviews, published in Bombay. This is what Mr. Subramani Iyer, after discussing the results of so-called 'Free Trade' in the United Kingdom, says of what he calls 'the policy of England in her control of India's economic interests':—

'This policy is the same now as it was at the time when the East India Company began to apply the political power it had acquired for its commercial aggrandisement. Nay, it is much worse now, because it is carried on under the cloak of disinterested beneficence, and with the resources of the whole British nation, instead of those of a Company. . . . From the time of Adam Smith down to the present day—when a new school of economists has arisen on the theories of Continental and American, and especially German, writers—there is not a single writer of fame who has

applied to the conditions of India under British rule the orthodox economic doctrine, and considered the results from India's point of view. We come across casual expressions of opinion now and again, but these are mostly one-sided and erroneous, as witness Professor Marshall's evidence before the Currency Committee. . . . What might have been the career of India if England had not deliberately crushed her industries it were vain to consider. But Indian opinion is entirely opposed to that of Lord Northbrook, who thinks that India has prospered under Free Trade. She has not prospered, but can only prosper under a system of Protection.'

Now, it is no answer to this indictment to say that it takes an extreme view. I admit that it is so. But there is only too much ground for Mr. Subramani Iyer's complaint of the fiscal system we have imposed on India—which, as he shows elsewhere, we have shrunk from imposing on our self-governing colonies.

§ 5. In his opening address to the Calcutta Industrial Conference on December 29, 1906, his Highness the Gaekwar of Baroda referred to the Swadeshi movement in sympathetic language. He pointed out that, notwithstanding the growth of the larger industries, the labourers employed in them formed only an insignificant proportion of the industrial population. India was, and would remain, a country of cottage industries. 'It was,' he said, 'the humble workers in towns and villages who demanded sympathy and help; and if the Swadeshi movement had widened the sphere of their labours, and brought some light to their cheerless homes, it had his cordial sympathy. He did not minimise the difficulties. The old ways must be abandoned; modern knowledge and skill must be acquired and applied. Under those conditions only could Swadeshism be a genuine economic force. The sugar industry and the

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Madras tanning industry furnished pitiable instances of the defeat of India by modern methods of production and manufacture.' •

The Gaekwar is not only the absolute ruler, under the King-Emperor, of a kingdom larger than Saxony and more populous than Greece, but is also one of the cleverest and most advanced thinkers of India. In another address, delivered at the inauguration of the Ahmedabad Industrial Exhibition in 1903, he strongly condemned the policy of Free Imports in India. Referring to the teaching of the modern school of economics in Germany and America — of which his Highness evidently knows more than the sleepy professors of some of our British Universities—he used the following significant words:—

✓ 'It is true that Free Trade enables a country to procure at cheaper rates those articles that can be manufactured more conveniently in foreign lands; but this cheapness is dearly bought by the loss of industrial status and the reduction of a whole people to a helpless proletariat. National defence against alien industrial inroads is more important than the cheapness of a few articles.'

And on the same occasion the Hon. Sir Phirozshah Mehta, the leader of the 'Young India' party, declared that the claims of India on the British Government for Protection are 'founded on their past policy, which has annihilated our once flourishing arts and industries.'

§ 6. I well remember, when I was in India in 1894, the great anti-Free-Trade meeting in the town hall of Calcutta that was presided over by the Hon. Maharaja Sir Jotindro Mohan Tagore, then (as now) the acknowledged head of the Indian community. The Maharaja commenced his speech by declaring that the occasion was unique in the history of India, for 'hardly do I remember another instance in which such intensity and

unanimity of feeling has prevailed among all the different sections of the community.'

It is, indeed, unnecessary to labour this point, for it is admitted that India is, as Lord George Hamilton said, 'intensely Protectionist.' And the practical question that obviously arises is simply this: How can we, in face of such a strong and general sentiment, maintain the trade between Britain and India that we know to be so important to both countries? The Free Importers reply, 'By dragooning Indian opinion into submission to our notions of "Free Trade," which are despised and laughed at by all Indian-born statesmen and economists.' The advocates of Imperial Preference, on the other hand, reply, 'Let us frankly offer an honourable and sufficient *quid pro quo*—British preference for Indian products in return for Indian preference for British manufactures—and then Indian national self-respect will join with Indian loyalty to yield a hearty acquiescence.'

Can there be any reasonable doubt as to which of these two rival policies is the wiser and more politic, as well as the more generous and honourable?



CHAPTER V

EFFECTS OF IMPERIAL PREFERENCE ON THE INDIAN EXPORT TRADE

Exports within the Empire

§ 1. I claim to have shown the immense political value of Imperial Preference to India—(1) as drawing closer the ties that bind India to England and the rest of the British Empire, by including the whole in one great fiscal unit, and thus doing away both with the friction of hostile tariffs and with the senseless affectation of treating each other as foreigners ; (2) as protecting India, the United Kingdom, and the Colonies from the industrial inroads of foreign Protectionist commercial rivals ; and (3) as fulfilling the reasonable 'Swadeshi' aspirations of our Indian fellow-subjects, and fostering the development of Indian industry and commerce, so far as is compatible with friendliness towards the rest of the Empire. I have shown that Imperial Preference means the reduction—and, where revenue considerations permit, the abolition—of all custom-house barriers between India and the rest of the Empire, without necessarily raising those barriers between India and foreign countries.

§ 2. I will now consider the one great objection that is always raised by the Cobdenites—though I have never seen any attempt to prove it—against the inclusion of India in any scheme of Imperial Preference of this kind as advocated by Mr. Chamberlain. Mr. John Morley,

with his accustomed straightforward honesty of speech, put this objection 'in a nutshell,' as he said, in his speech on the Indian Budget of 1906. He pointed out, truly enough, that India is a debtor country, and must, therefore, take care, above all things, to maintain and foster her export trade, for any diminution of her exports would seriously dislocate her financial system. So far so good. Mr. Morley goes on to point out that the foreigners—who protect themselves up to the hilt, and raise or lower their tariffs on our goods exactly as it suits the interests of their own manufacturers and working men, without the slightest regard to our convenience, which certainly is not their affair—have already securely annexed three-fourths of the Indian export trade. Though we all know that thirty or forty years ago, before the foreigners adopted protection, Britain enjoyed nearly the whole of this vast export trade, now she hardly takes one-fourth of the Indian exports. Here, too, Mr. Morley is unfortunately quite right—I say 'unfortunately,' because it would be better for the Empire at large if a larger proportion of the Indian exports of raw materials went to be worked up in British factories by British working men, though I quite admit that to the Indian mercantile community and to the individual Indian producer it does not matter a scrap whether his or their customers are British or foreign so long as they are solvent and honest. But here comes the fallacy. Mr. Morley goes on to declare that, if India were to give and receive an Imperial Preference—that is, if she took off some or all of her duties on imports of British and Colonial goods without simultaneously altering those on foreign goods—our Indian exports would diminish. I should like to ask Mr. Morley why. I think that a careful and detailed consideration of the facts of the case will convince Mr. Morley, and every other sincere and earnest enquirer after truth, that the exact opposite will occur. It is obvious

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that Indian exports to the United Kingdom and to the Colonies will largely and rapidly increase, by reason of the Preference; while there is no reason whatever for believing that Indian exports to foreign countries will fall off, the probability being that they too will respond to the general prosperity of the country, and will keep pace with the increased buying powers of the Indian peoples and the general improvement in their commercial and industrial activity. These points I now proceed to discuss.

§ 3. It is unnecessary to show that Indian exports to the United Kingdom and all the Colonies will go up by leaps and bounds when Indian products are given a preference in those markets which are still the largest and richest in the world, and with the growth of the new giant-nations in Australia, New Zealand, Canada, and South Africa those markets will grow more and more valuable.¹ All this is admitted, even by those bigoted people who call themselves 'Free Traders,' but who oppose Free Trade within the Empire because we cannot get Free Trade outside the Empire and cannot raise revenue without some taxation.

§ 4. The United Kingdom alone still takes from thirty to forty million pounds of foreign-grown tea every year—mainly from China, or from Java through Holland—because our non-preferential fiscal system puts a premium on the cheaply grown product of sweated labour in countries where silver is free. But even Free Traders admit that such a preference as, say, a duty of 2*d.* on

¹ The enormous expansion of Canadian trade since 1897-8, when Canada adopted Preference, is shown below, § 12. And it is a well-known fact that the rapid growth of Canada's manufactures makes her look more and more to tropical sources of supply for her raw materials. If the Cobdenites insist on maintaining fiscal barriers between Canada and India she will be compelled to supplement her West Indian supplies by recourse to the Southern States of America.

British-grown tea and 4*d.* on foreign-grown tea would redress this injustice, and permit the Indian and Ceylon planters to capture this considerable trade both at home and in the Colonies.

§ 5. Similarly with the export of Indian tobacco to England. Sir Edward Law has pointed out the infinite possibilities of this trade, which has always been throttled by our so-called Free Traders ; for they handicap Indian tobacco doubly—first, by imposing on it the same heavy duty that they impose on the high-priced American tobacco, and secondly, by burdening it, like Indian tea, with the same duties as those imposed on the German and Dutch imports of tobacco grown by sweated labour in the free-silver islands of the Malay Archipelago. Last year—omitting cigars and cigarettes, and counting only the unmanufactured tobacco which India can produce as well as any country in the world—England bought from the foreigner 82,744,295 pounds of tobacco (including about 7,000,000 brought from the Asiatic colonies of Holland and Germany), while she bought from British India 2,304 lbs. ! That remarkable state of things is simply due to our fiscal system.

§ 6. So with coffee. At this moment England buys nearly as much raw coffee from France, Germany, and Holland (of course produced in their colonies) as she buys from the whole of India. It used to be said that Free Trade means ‘allowing trade to run freely in its natural channels ;’ yet here we have the Free Traders forcing the coffee trade into England to flow from Dutch colonies through Dutch and German ports to London—and they call this ‘a natural channel’ ! And precisely the same thing happens, even on a larger scale, with cocoa and its various preparations.

§ 7. The immense value to India of an Imperial preference on Indian wheat, as insuring an extended cultivation of wheat on irrigated soil in the immense

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uncultivated but cultivable wheat-growing lands in the Punjab and Upper India, has been so powerfully indicated by Sir Charles Elliott and Sir Edward Buck as the one great Famine insurance policy that I need only refer to it in this place, though I will return to the subject in Chapter X., § 7.

§ 8. And so with most of the staple products of India. It is admitted, even by Free Fooders, that their consumption in the United Kingdom will be enormously and immediately increased by Imperial Preference. And it is also admitted that the capacity of the United Kingdom for absorbing these products is practically unlimited—for in England we already buy from the foreigner (in addition to what we purchase from India) more than all that India at present produces. It is unnecessary under this head to do more than refer to our enormous British consumption of raw cotton and of food grains. But take the other Indian staple exports. Of raw wool India sells to the foreigner yearly to the value of £16,000. We buy it from the foreigner to the tune of $3\frac{1}{2}$ millions sterling. Of raw hides India sells to the foreigner about $2\frac{1}{4}$ millions sterling. We buy from the foreigner about two millions' worth. Of raw hemp India sells to the foreigner about £4,000. We buy from the foreigner $3\frac{1}{2}$ millions sterling. Of tea India sells to the foreigner to the value of £282,000. We buy from the heathen Chinese about £800,000 worth per annum. Of wood and timber she sells to the foreigner to the value of £134,000 per annum—and they cannot easily get her teak and sandalwood elsewhere. We buy from the foreigner about 18 millions' worth yearly. Lastly, the greatest of all Indian exports consists of seeds and oils. These she exports to foreign countries to the average annual value of £7,604,000. These Great Britain buys from the foreigner (in addition to what we buy from India and other British Possessions) to the annual value of £9,385,000. So that if we took

all that India produces we should still have to buy some from the foreigner.

§ 9. But the *soi-disant* Free Traders, admitting that, under Imperial Preference, British and Colonial purchases of Indian products will largely increase, take refuge in the supposition—put forward in order to frighten the Calcutta and other merchants whose trade connections are mainly with Germany and other foreign nations—that Indian exports to foreign ports will fall off even more than the improvement in the trade to British and Colonial ports. But what shadow of ground can be discovered for such an assumption?

In the first place, the great expansion of trade with British ports will increase the general prosperity of the commercial classes in India and the buying power of the people; and this will react on the foreign exports.

§ 10. In the second place, both Sir Edward Law and Sir Charles Elliott have shown conclusively that the foreign nations who are India's large customers cannot possibly do without these Indian productions without seriously crippling their own manufactures. The Protectionist Governments of Europe and America arrange their tariffs on scientific principles, exactly to suit the needs of their own industrial population; and they are not in the least likely to increase the duties on any Indian goods whatever simply out of pique, as some silly old women might do.

§ 11. Hear what a great German expert, Schmoller, says on this point in his *Jahrbuch für Gesetzgebung Verwaltung und Volkswirtschaft*, 1904.

‘Economically there is room enough in the world nowadays for both nations (England and Germany) and their development. . . . If Chamberlain brings about a new phase of British power and British prosperity we shall not complain of it. Neither shall we be afraid of it. We shall only demand that if we, in connection with the great shiftings of the trade of the world, work for a

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mid-European Zollverein, England will recognise this as natural, and will not declare, as Palmerston formerly did about the Zollverein, that "this is a measure directed against England which requires retaliation."

§ 12. Canada has already tried Preference. (See Appendix A.) Out of simple patriotism she has given the United Kingdom and British Possessions this great boon, without asking any return. But, happily, her trade statistics show that she has herself, as well as the Mother Country, reaped a rich reward. For not only have the British exports to Canada gone up by leaps and bounds—they have actually doubled since the passing of the British Preference Act!—but also, to the astonishment of the Free Fooders, the whole Canadian trade, foreign as well as inter-Imperial, has enormously increased. Here are the figures for the British exports to Canada for the seven years preceding the Preference and for the seven years after the Preference, taken from the *Statistical Abstract*, 1905, pp. 124, 125 :—

BRITISH EXPORTS TO CANADA

Before Preference

1890	...	...	...	...	£6,827,023
1891	...	...	...	...	6,820,990
1892	...	...	...	...	6,869,913
1893	...	...	...	...	6,658,492
1894	...	...	...	...	5,531,513
1895	...	...	...	...	5,285,271
1896	...	...	...	...	5,352,029
1897	...	...	...	...	5,171,851

After Preference

1898	...	...	...	...	5,838,000
1899	...	...	...	...	6,969,535
1900	...	...	...	...	7,605,257
1901	...	...	...	...	7,785,472
1902	...	...	...	...	10,345,256
1903	...	...	...	...	11,112,577
1904	...	...	...	...	10,624,221

These figures show that up to the period when Canada voluntarily, and without any *quid pro quo*, granted a Preference to British goods entering the Colony, British exports gradually dwindled. What they would have been to-day had there been no Preference it is impossible to say. Preference was granted. The decline was not only immediately arrested but British exports began to rise, until now they are double what they were before the Preference was granted. And an examination of the detailed statistics¹ for the year 1904-5 shows that in that year the total value of the imports, including those from the United States and other foreign countries, was over 251½ million dollars, the largest in the history of the country, being three million dollars more than in 1903-4, and nearly 145 million dollars more than in 1897, the last year before Preference! And so far from the Preference having damaged the foreign trade, notwithstanding the enormous increase of the British trade, the import from the United States had also hugely increased.

§ 13. However this may be—and in the next chapters I shall examine more fully the export trade to neutral and protected foreign markets—it has now been proved that, out of a total export trade of 1,346 millions of rupees from Indian ports, that part which goes to the United Kingdom and to British Possessions, to the value of 626 millions of rupees according to the latest returns, will beyond all doubt largely increase and expand under a system of Imperial Preference. ,

¹ From the *Birmingham Daily Post* of October 18, 1905.



CHAPTER VI

EFFECTS OF IMPERIAL PREFERENCE ON THE INDIAN EXPORT TRADE *(continued)*

Exports to Foreign and Neutral Markets

§ 1. The Government of India has distinctly and definitely repudiated, once for all, the pet dogma of 'Insular Free Trade' that import duties may only be levied for revenue purposes. For its famous Despatch on Preferential Tariffs of October 1903—a somewhat inconsequential and impotent document generally, but winding up with a sting like a scorpion's—ended by laying down the following rule as the conclusion of its investigations and discussions, and as the keystone of Indian Fiscal Policy :—

'All that we seek is that we shall not be pledged in advance to accord equal treatment to the imports of all countries alike, irrespective of whether they penalise our exports or not. And we are hopeful that the mere announcement that our hands are free will of itself suffice to maintain us in the enjoyment of that considerable measure of free exchange which we already possess, and from time to time even to extend it.'

§ 2. Now that this important principle is fully and clearly admitted it obviously follows that, if India chooses to reduce or to remit her duties on goods imported from other parts of King Edward's dominions, she is in no way bound simultaneously to reduce or remit the corresponding duties on goods imported from other countries. She may retain those duties, either (1) for purposes of

revenue, or (2) to foster her own indigenous industries, and especially her nascent manufactures, or (3) for the purpose of using them as a weapon to prevent other countries from penalising her exports.

It has been suggested by some people that the policy thus formally adopted by the Government of India might irritate foreign countries into retaliation, although their own fiscal systems are without exception far more regardful of their own industrial interests and of their own national aggrandisement than anything that has ever been proposed for India.

§ 3. But those who offer this suggestion forget two cardinal considerations. The first is, that these foreign countries, being all strictly protectionist, already tax their imports of our goods to the full extent that suits the industrial interests of their own people ; and they are not in the least likely to add a single penny to that taxation merely out of pique, if the additional taxation would injure any of their own industries. The fiscal systems of such countries as Germany and America are marvels, from a scientific point of view, of wise and skilful adjustment ; and they are not going to upset that adjustment, as silly Free Fooders suppose, just to spite us or any one else. And the second consideration is in the nature of a rider to the first : every one of the great staples of the Indian export trade, with hardly an exception, is either food or raw material, which, even if stupidly or spitefully refused by one customer, would be greedily snapped up by a dozen competitors. In my last chapter I showed that the United Kingdom alone is quite capable of absorbing—if it were ever necessary, which it never can possibly be—the whole of the present export of Indian produce. Much of the recent enormous expansion of German commerce and industry is due to the skill and enterprise which her protective system has enabled her to devote to the capture of Indian exports.

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So long, indeed, as Great Britain chooses to handicap her industries by the fetish-worship of Free Trade falsely so called, I am not surprised to find Sir Ernest Cable, and other shrewd members of the Bengal Chamber of Commerce, nervously apprehensive of anything that may appear to savour of interference with the splendid export trade to these go-ahead Protectionist countries. But I do not believe that a single practical man of eminence in the Indian commercial world, after examining in detail the conditions of the export trade of India to each foreign country, would hold that there is the slightest chance of anything like retaliation being attempted by any one of them.

§ 4. Both Sir Edward Law, in his masterly Minute attached to the Government of India's Despatch, and subsequently Sir Charles Elliott in the *Empire Review*, have published exhaustive examinations of this question. Sir Charles Elliott, late Lieutenant-Governor of Bengal, and the author of the great Report of the Famine Commission, arrives at a very definite conclusion on the whole matter. He ends a vigorous article in these words :—

‘ It seems to me to be clearly established (first) that it is possible to introduce a preferential treatment of all British dutiable goods imported into India, and of certain dutiable goods imported into England, with great mutual advantage to the trade of both countries and without raising the susceptibilities of any foreign nation ; and (second) that India is in a favourable position to enter into fair trade negotiations with any foreign nation which may be disposed to set up a hostile tariff to the detriment of its trade.’

§ 5. If we go through the whole list of foreign commercial nations that buy Indian products it will be found that there is not one that could afford to injure its own industrial interests in order to punish India for giving England a preference. Sir Edward Law, in the Minute

which I have already quoted, has made this careful analysis for the Government of India, and his admirable work must always remain the classic authority on this subject.

§ 6. The China trade, including that which is direct and that which travels *via* Hongkong, and to a much smaller extent *via* the Straits Settlements, is, of course, by far the largest section of the Indian export trade, both in volume and in value. The aggregate value of Indian exports to China, Japan, and the Straits Settlements is, on the average of the five years from 1901 to 1905, over 293 millions of rupees.

But Sir Edward Law points out (Blue-book, p. 14) that the trade with China, whether export or import, cannot possibly be affected by the adoption of any system of preferential tariffs. The conditions of this trade have been quite recently fixed by treaty, and must remain the same, independently of what we may do with other countries, at least until the expiration of the recently concluded treaty. And Sir Edward Law concludes, 'We may therefore omit trade with China from the consideration of the question under discussion.'

§ 7. The conditions of the Japanese trade are, of course, different. Still, as Sir Edward Law shrewdly remarks, 'there is no reason why new arrangements with other countries should necessarily entail any change of business relations with the Japanese.' The same remark will apply to the trade with the Straits Settlements, which, moreover, as being trade within the Empire, would derive a direct benefit from Imperial Preference.

§ 8. So that it follows that, out of the total of Indian exports to foreign countries, value 720 millions of rupees—which, with 626 millions of rupees, value of exports to the United Kingdom and British Colonies make up the total value of Indian exports to the sum of 1,346 millions of rupees—trade to the value of 293

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millions of rupees will not be affected one way or the other by the adoption of Imperial Preference. These figures are taken from the *Financial and Commercial Statistics of British India*, published by the Government of India at the office of the Superintendent of Government Printing at Calcutta in the year 1906. I have already shown that the inter-Imperial export trade of India, to the value of 626 millions, will be enormously benefited and stimulated by Imperial Preference. So, out of the total export trade of 1,346 millions of rupees, I have now shown that trade to the value of 920 millions will certainly be either greatly benefited and stimulated or entirely unaffected. It remains to ascertain, by the light of Sir Edward Law's Minute and these newly published Government statistics, what will be the effect of our adoption of Imperial Preference on the export trade, value 426 millions of rupees, to other countries, the various Protectionist countries of Europe and America. Here, if anywhere, we may hope to discover the perils to our Indian export trade which the Free Fooders and the *soi-disant* Free Traders predict from the adoption of Imperial Preference. I shall be able to show these timorous souls, in my next chapter, good reason for believing that their invincible reverence for the exploded fallacies of the free-foreign-import school of economics has once more led them astray.



CHAPTER VII

EFFECTS OF IMPERIAL PREFERENCE ON THE INDIAN EXPORT TRADE (*continued*) .

Exports to Foreign and Protected Markets

§ 1. In my last two chapters I have shown that, out of a total Indian export trade worth 1,346 millions of rupees, that part which goes to the United Kingdom and the Colonies, which is worth 626 millions of rupees, will certainly expand enormously under the stimulus of even the smallest Imperial Preference, and that it might easily absorb the whole of the existing exports from India. I have also shown that the further portion of that export trade which goes eastward to China, Japan, and the Straits Settlements, amounting in annual value to 293 millions of rupees, will not be affected one way or the other by any change of the kind.

Here, then, export trade to the annual value of 920 millions of rupees is already accounted for, out of the total of 1,346 millions of rupees. To that extent, at any rate, there is no ground whatever for Mr. Morley's distrust of Imperial Preference. On the contrary, there is every reason to believe that it would immensely benefit Indian producers and merchants, largely increase the volume and value of Indian exports, and greatly strengthen the financial position of the Government and the economic condition of the country.

§ 2. There still remains an export trade to the annual value of 426 millions of rupees that goes to the

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foreign Protectionist countries of Europe and America ; and I will now examine the question as to whether there is the remotest probability of this trade being injured or diminished in the least by the expansion of trade within the Empire that will result from Imperial Preference.

I quite admit that if Mr. Morley could show any ground for believing in that probability it would afford *pro tanto*—that is, to the extent of less than one-third of the total trade, but only to that very limited extent—some reason for his distrust. But I shall show there is none.

§ 3. I will make one further admission ; it is that this export trade to foreign Protectionist countries is (as Sir Ernest Cable told the Associated Chambers of Commerce) for the moment a rapidly growing one, that threatens to oust altogether the export trade to the United Kingdom and the Colonies, if we foolishly insist on maintaining our antiquated fiscal policy when all the rest of the world is up to date. Mr. L. S. Amery, Fellow of All Souls' College, Oxford, in his admirable work on the fallacies of free importing, has shown us that this is certain to be the case with the export trade of a free-importing country to a Protectionist one for a time, but that it invariably turns to the detriment of the Free Importers in the long run, producing (as his Highness the Maharaja Gaekwar of Baroda shrewdly observed at the opening of the Ahmedabad Industrial Exhibition in 1903) 'the loss of industrial status and the reduction of a whole people to a helpless proletariat.' Mr. Amery's words on this subject are so lucid and telling that they are worth quoting. He points out that, as the manufactured goods, if any, of the Free Importers cannot be sold in the Protectionist State, 'the conditions of the money market will tend to force the export from the free-importing country of its raw materials, which alone the Protectionist will accept.

In other words, the individual producer of raw materials will find it most profitable to send his goods abroad. A considerable trade, and one which for a long period may be a *steady growing one*, will go on between the two countries. To the Protectionist State it will be a trade of great value, in virtue of the raw materials its policy has managed to suck within its boundaries, and of the surplus manufactures it has got rid of. To the free-importing State on the other hand—as distinct from the individuals who carry on the trade—the trade will mean pure loss.’

Taking Britain and India together on the one side as Free-importing countries, and Germany and other Protectionist countries on the other, this is exactly what has happened, and entirely accounts for the enormous drain of Indian raw materials into Protectionist countries to give employment to their millions of artisans. It has stopped the tide of emigration from Germany, increased it from the United Kingdom, and brought us face to face with an ‘unemployment’ problem, ever more and more threatening, even at a time when trade of a sort seems to be booming.

Mr. Morley tells us, rightly enough, that foreign Protectionist countries have already taken out of British hands fully three-fourths of the Indian exports of food and raw materials, and are every year taking more and more ; and Cobdenites seem to think this is a good thing for the Empire. It is a good thing—as Mr. Amery admits—for the individual merchants and producers. But it is a bad thing for the Empire ; and if continued on these lines of Protection *versus* Free Imports it will in the long run prove a ruinous thing for India.

§ 4. On the other hand, under a system of Imperial Preference, this foreign export trade, that is now pampered and based on unsound economic principles, will be at once placed on a sound and permanent basis. In

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those more honest circumstances, every patriotic advocate of Preference will wish to see it grow and expand mightily, as I proved in my last chapter it has already grown in Canada in similar circumstances. And the real question at issue—misjudged, I humbly think, by Mr. Morley—is this : Is there any reasonable probability that, with a system of such moderate Imperial Preference as that suggested by Mr. Chamberlain, the present forced and unwholesome inflation of the Indian export trade to foreign Protectionist countries will be arrested to such an extent as to transform an increasing trade into a diminishing one? It is, indeed, true that more of this raw material will be exported to the United Kingdom and the Colonies, to be worked up by British working men, and that it will find there a market of such limitless capacity as to absorb easily, in the not very distant future, all that India now produces and much more. But, on the other hand, the untapped powers of production in India are equally unbounded. In Upper India alone it has been estimated that there are at least forty millions of acres of cultivable land, not waste or mountain, capable of growing rich crops of wheat, and only awaiting the irrigation canal and the plough. Similarly in Assam, in Burma, and in other parts of the country there are vast tracts of cultivable land almost unoccupied by the cultivator ; while yet again in other parts of the country there are teeming populations of agriculturists crowded in congested districts and capable of any amount of expansion. The acquisition by India of rich and enlarged markets will bring to the unoccupied lands both the population and the cultivation. At the same time, and by the same means, the purchasing powers of the Indian peoples will be increased, and their standard of life and comfort improved. So far from selling less to the foreigner in these prosperous circumstances, they are certain to sell much more. And

at the present moment, and indeed in any conceivable circumstances, the foreigner cannot cease to buy our Indian raw materials without foolishly and gratuitously crippling his own manufactures, and creating for himself an 'unemployed' question such as that which the Free Importers have brought about in the United Kingdom. Our great commercial rivals are not in the least likely to follow us in this silly antiquated bigotry. For in their Universities, and among their statesmen, the Free Fooder is as extinct as the dodo. The teachings of Friedrich List and others demolished him as an economist everywhere except among the Radicals of Great Britain. And Bismarck in Germany, McKinley in America, and the other statesmen of note in France, in Austria-Hungary, in Italy, in Russia, in Canada, in Australia, in New Zealand, and in South Africa have long ago decided all those countries to leave Great Britain, India, and Turkey severely alone in the undisputed possession of a commercial policy suited only to a period when people hid their savings in a stocking and when it took many months to send goods from India to England.

§ 5. Sir Edward Law's masterly minute on the question of Imperial Preference, to which I have frequently referred, was published in the Blue-book Cd. 1931, as an enclosure in Lord Curzon's despatch of October 22, 1903. It contains the fullest and most carefully digested information on the statics of Indian over-sea trade that has ever been given to the public. It is wanting in statistics of the dynamics of that trade—of its history and tendencies. But this lack has been admirably supplied by the great Blue-book published last year in Calcutta as the twelfth issue of the *Financial and Commercial Statistics of British India*, from which I compiled the figures given in my last two chapters.

Sir Edward has examined, in the most elaborate

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detail, the export trade of India to foreign countries, and a study of his Minute and of the tables attached to it shows that there is absolutely not one large important staple of export that is in the least likely to be injured by foreign reprisals, so far as the facts or probabilities are known. There is not even one in which the volume of export is likely to be diminished by such reprisals. There is not a single foreign country that is really likely to think of such reprisals at all, and for most of them reprisals are simply impossible.

The Minute and its table are accessible to all, so I need only quote from it so much as will suffice to establish my contention—a contention that goes to the very root of the whole matter—and that, if established, removes at a blow every possible ground of objection to the entry of India into the Imperial British Commercial Federation.

I will follow Sir Edward Law by taking the foreign countries to which Indian exports go in the order of their importance as to volume of trade, omitting (as already dealt with) the China trade, direct and indirect, which obviously, as Sir Edward notes, will not be affected.

§ 6. Next come the exports to Germany, value 177 millions of rupees. 'Practically in each case their importation,' Sir Edward observes, 'is a necessity for the success of some German industry in which large capital has been invested, and any check to which would prove a serious blow to German economic prosperity.' And he concludes as to Germany: 'We may rest fairly assured that she could not, in her own interests, tax our exports.'

§ 7. Next comes France, taking annually over 87 millions of rupees' worth of food and raw materials, including hard wheat for making semolina, and oil seeds for oil wherewith to adulterate Lucca oil and to make

margarine. There is some lack of information here, Sir Edward tells us ; but France already taxes Indian coffee to the tune of 100 per cent., and her other imports are raw materials. And he significantly adds, 'No French Government could withstand the outcry in Marseilles if the oil and margarine industries were interfered with, and the threat of an export duty in India on the raw material would probably compel the French Government to accord favourable terms for the importation of other Indian products, with regard to which our position may not be strong.'

§ 8. Much the same remarks apply to the United States, taking annually, to the value of nearly 86 millions of rupees, all raw material for the leather and other important manufactures, except gunnybags and other jute manufactured goods. As India holds the monopoly of raw jute, no country largely working up jute (as America does more and more every year) can afford to run the risk of India placing an export duty on it.

Next comes Japan, taking Indian commodities annually to the value of 66 millions of rupees. 'There is no reason,' says Sir Edward Law, 'why new arrangements with other countries should necessarily entail any change of business relations with the Japanese.'

§ 9. Next is Belgium, importing from India to the value of over 58 millions of rupees. 'It is clear,' says Sir Edward, 'that India has little or nothing to fear from a tariff war with Belgium.'

Then Austria-Hungary, taking to the value of nearly 36 millions of rupees. Sir Edward sums up, 'There is not, I think, the very least fear of Austria adopting a tariff prejudicial to reasonable Indian interests.'

§ 10. Italy takes from India to the value of over 37 millions of rupees annually. Sir Edward Law finds there is some lack of information as to the use made of these imports. But here again they are

entirely raw materials, including oil seeds for adulterating Lucca oil; and though India may be in no very strong position to accept a tariff war, Sir Edward declares that 'the Italians are not in a strong position to provoke it.' They are most unlikely to injure their own manufactures out of mere spite, even if India were to adopt some mild imitation of their own fiscal arrangements.

§ 11. The Russian import trade is inconsiderable; and Sir Edward says, 'Clearly we have nothing to fear from a tariff war with Russia.'

The Dutch import trade is also unimportant, consisting mainly of oil seeds for £290,000; and the Finance Minister says of it, 'I do not think that in connection with the subject under consideration we need concern ourselves much about our trade with Holland.'

Now we have gone through the whole list! And where, oh where, is the slightest ground for the foolish fears of the Free Importers?

§ 12. I claim to have shown here, in detail, that, so far as the foreign customers of India are concerned, if the Indian Government shows a little patriotism in its fiscal policy—if we join with the Colonies and the patriots at home in an endeavour to consolidate the Empire in the same way that Germany, and America, and other nations have already done, by a system of Imperial Preference—there is not the slightest ground for the supposition that we shall be in danger of reprisals, or even of resentment, from the foreigner.

I must reserve for another chapter the discussion of the question as to how far Imperial patriotism in this matter coincides with the teachings of political economy and Indian national self-interest.



CHAPTER VIII

THE ECONOMIC RELATION OF IMPERIAL PREFERENCE TO INDIAN PATRIOTISM

§ 1. A Free Fooder once observed, with the air of superiority affected by his school, that it is as absurd to speak of patriotic political economy as it would be to speak of patriotic conic sections. About this sage remark there is just a sufficient vestige of verisimilitude to make it mischievous. Given fixed and immutable conditions, or even conditions that vary according to some known law, and the conclusions of political economy are as rigorous and exact as the most fanatical *doctrinaire* could wish. If men and Governments were machines—if there were no such things as Foreign Governments with hostile tariffs, or foreign nations with clashing ambitions, who are delighted to take full advantage of our cosmopolitan philanthropy, though very careful not to reciprocate it—then indeed we might hope to see a Cobdenite millennium ruled by the laws of a cosmopolitan political economy undisturbed by considerations of patriotism. But every great commercial community in the world, except the United Kingdom, and India as ruled according to British insular prejudices, more and more every year adapts its fiscal system, and every detail of its administration that affects its commerce and its industry, to modern requirements and the furtherance of its own interests. Our system, if we had any means of

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forcing it on the whole world, might possibly, though not certainly, be the best system possible for the whole world. But we can only enforce it in the United Kingdom and in India: even the self-governing Colonies will have none of it, much less any foreign nations. The German system contemplates simply that which is best for the German mercantile and industrial communities, without the slightest regard for our interests or even for our susceptibilities; why should it concern itself with that in which it has no interest? And so with the French system, the American, the Austro-Hungarian, the Italian, the Russian, the Colonial. And so it will come about that in mere self-defence, even though we care nought about the patriotism, we shall be compelled to adopt fiscal methods that are patriotic, at any rate to this extent, that they will offer some safeguards, if not complete protection, to our national commerce and industries. And all political economists will agree that, when once it is conceded that in commerce and industry, as in other things, we are more nearly interested in the well-being of our fellow-subjects than in that of the foreigner, and are likely to derive greater benefit from their prosperity than from that of the foreigner, then Imperial Preference must follow as a matter of course.

§ 2. We recognise this fact, so far as our fiscal system is concerned, in the United Kingdom. There are no import duties on goods imported from Ireland into England or Scotland. There are no custom-house barriers between Kent and Sussex. Articles 'made in Germany' have to be so labelled if sold in England, but not so in the case of goods made in Scotland or made in Ireland. When 'undesirables' land on our shores from Russia or Poland, the law will turn them back in some circumstances; but there is no law against London 'Arries invading Scotch moors, or Irish hop-pickers invading Kentish gardens.

We recognise the fact too in India. We have abolished Inland Customs lines ; and no one thinks of putting import duties on Madras goods when imported into Bengal. The Bengali agitators, with much acuteness, and with a good deal of reason on their side, have taken advantage of the unpatriotic character of our British fiscal system ; and, following it up to its logical conclusion, have carried the Swadeshi movement (which was an excellent thing so long as it meant Imperial Swadeshi) to the only conclusion that is logical so long as Britain and India are separate fiscal units, and that is, a preference for Indian goods not merely against foreign goods, but also against the goods of our fellow-subjects if produced outside the limits of India. This is the strict logical consequence of our British system of so-called Free Trade, that confers an artificial advantage on the subjects of foreign Protectionist States by giving them precisely the same fiscal treatment that we accord to our unprotected fellow-subjects. If Britain forces India to treat her as a foreigner in fiscal matters she cannot be surprised if India carries out that rule to the disagreeable extent of socially boycotting British and foreign goods with equal impartiality.

§ 3. It is obvious on the face of it that this so-called 'Free Trade' is falsely so called when it opposes Imperial Preference ; for if all other things were nearly equal, and trade was able to follow its natural channels, the many conveniences and advantages—of language, of custom, of mutual knowledge, of credit, of law, of easy communication, and in a dozen other ways—that clearly appertain to inter-Imperial trade, would long ago have brought a far greater expansion of the trade between Great Britain and India than has hitherto been attained. The far greater elasticity of the trade between India and foreign countries is simply due to the immense advantage possessed by the latter in their protected home markets,

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and to the disabilities inflicted on us by our false Free Trade.

§ 4. The Bengali notion of 'Swadeshi'—I know that it is not shared by many of the most highly educated Bengali gentlemen—involves all the evils of Protection and none of its advantages. There is not the remotest possibility of anything of the kind ever being adopted in the Indian fiscal systems: consequently the instinct of self-protection, which always in the long run influences the majority of mankind, will always prevent men (except a few well-meaning but misguided martyrs) from giving two annas for a commodity which they can purchase as readily for one anna.

On the other hand, Imperial Swadeshi, though apparently not so rigorously protective in its effects, will be really more efficient in that direction. And it is, of course, absolutely undeniable that this Imperial Swadeshi, which is identical with Imperial Preference, will tend to bring Britons and Indians more into sympathetic union, whilst the 'boycott' can only engender sentiments of mutual hostility and dislike. And this latter alternative will be looked upon by every true Indian patriot with horror and aversion.



CHAPTER IX

THE POSITIVE ECONOMIC ADVANTAGES THAT WILL ACCRUE TO INDIA FROM IMPERIAL PREFERENCE

§ 1. I now turn to the many positive economic advantages that will accrue to India from Imperial Preference, in addition to those general advantages to be derived from the consolidation of the Empire, and from the increased association of Britons and Indians in commercial and industrial enterprises, and the consequent increase of sympathy and goodwill between the British and the Indian subjects of the King-Emperor, of which I have already spoken. I propose to show that Imperial Preference (1) will foster the nascent industries of India ; (2) that it will assure to India the only cheap and reasonable method of liquidating her annual obligations as a debtor-nation ; (3) that it will afford her the only possible means of assuring herself against future famines ; (4) that it will result in largely improving the standard of comfort and increasing the purchasing power of the masses of India ; (5) that it will secure for all Indian products, and especially for her wheat, sugar, tea, coffee, tobacco, indigo, spices, &c., the preferential and almost exclusive possession of by far the greatest and richest and most progressive markets in the world ; (6) that it will result in a rapid expansion of Indian trade with all the English-speaking countries of the world, including the United States and the British Colonies as well as the

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United Kingdom ; and (7) that it will consequently not only enrich the people and the merchants of India, but will also afford lucrative openings and a fine career in the great world of international commerce for all, and more than all, the thousands of young Indian gentlemen who have obtained a good education in English, but have hitherto failed to find adequate opportunities for turning that education to the best advantage.

§ 2. Indian public opinion is, beyond all doubt, strongly in favour of fiscal protection for the nascent industries of India. Every Indian economist, every Indian statesman who has ever written or spoken on the subject, has deplored the fact that the masses of the population are entirely dependent on agriculture for their subsistence. Yet the difficulties that attend the inception of a new and strange industry—the heavy initial outlay, the high rates of interest, the lack (at first) of trained and skilled labour, the costliness of efficient supervision, and the many social, religious, and climatic difficulties by which the Labour problem is complicated in India—often make impossible anything like successful competition with the products of the long-established mills and factories of Europe and America. And when the competition is with the finished products of mills and factories that have the initial advantage of a protected market at home, the attempt becomes utterly hopeless and actually ruinous. For instance, a German manufacturer already possesses, all to himself and quite free from any except local competition, a lucrative market within the German Zollverein, sufficient to assure to him in any case a fair return on his actual outlay ; and he can, therefore, well afford to ‘dump’ on the defenceless Indian market vast supplies of commodities on which the price has been cut down to a figure that would easily ruin any Indian manufacturer. For the Indian manufacturer must sell the whole of his stock at

these prices, which are to the protected manufacturer simply the price of 'surplusage.'

Of course the manufacturers of the United Kingdom do not possess this advantage, which is conferred by a protected home market; and that is why the import into India of almost all the products of the protected manufactures of Germany and other protected countries is progressing at a far more rapid rate than that of the unprotected manufactures of Great Britain.

§ 3. Now it is quite true that, to the Indian consumer and to the Indian importers it does not matter one jot what country supplies their imports; and in that sense it is quite true to say that there can be no such thing as 'patriotic political economy,' though I think I have shown good reason why India as a State, and the Government of India as representing the community at large, would be well-advised to show patriotism towards the Empire. But what does really matter in the long run to every Indian is, that fair play should be given to the nascent industries of the country, so that considerable masses of the population may in time be diverted from the congested industry of agriculture, and be distributed among other industries, such as manufactures and commerce. It is only by such a diversion of part of the population—this surely is an economical axiom that even the free-fooding casuists would admit—that we can hope for any very substantial improvement in the material well-being and the standard of living of the Indian masses. The considerations noted above are sufficient to show that fair play can only be enjoyed by nascent Indian industries on the condition that our fiscal system gives them some slight measure of protection. The larger the measure, so long as it is fair and does not injure other interests more than it is worth, the better; but some measure is absolutely necessary.

§ 4. We come back, then, to the question, Since

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some measure of protection for Indian nascent industries is necessary, to what extent should that be carried? Should we have Bengali Swadeshi, or Indian Swadeshi, or Imperial Swadeshi?

Bengali Swadeshi, that would protect Bengal manufactures by import duties on Madrasi or Punjabi goods, as well as on all other foreign goods, is obviously absurd on the face of it.

But what shall we say to Indian Swadeshi? to the imposition of duties at Indian ports on all imported goods, both those from the United Kingdom and the Colonies as well as those from foreign countries? That is the system we enjoy at present, except that it is tempered, in the name of Free Trade, by the imposition of a counter-vailing excise duty on Indian cotton cloth, perhaps the most vexatious and irritating tax that human ingenuity has ever invented. Should we continue this Indian Swadeshi, and make it really effective for the protection of nascent Indian industries by abolishing the excise and possibly by raising the import duties? To this question there is absolutely only one answer, an unqualified No—for the best of all possible reasons, that the proposal is utterly and hopelessly impossible, as I have shown in Chapter II. § 5. A witty Indian gentleman in the Legislative Council of Lord Elgin, when as Viceroy he imposed the excise duties on the cloth woven in Indian mills, made the very shrewd remark, 'There are indeed sixty good reasons for his Excellency's proposal, for there are sixty Lancashire members who have votes in the House of Commons.'

§ 5. But then, if it be said, with some show of reason, that it is mere hypocrisy for the Lancashire members to pretend that their desire for an Indian excise is wholly and solely due to their reverence for the sacred doctrines of Free Trade, it is on the other hand a mere booby-trap to pretend that, in any conceivable circumstances, the

House of Commons will ever allow India to put on protective duties against Lancashire. Personally, as I have said more than once in these papers, I am strongly of opinion, not only that the House of Commons will never do so—that goes without saying—but further that, out of patriotism to the Empire, it ought not to sanction such duties at Indian ports, any more than it ought to sanction such an iniquitous duty as that now imposed on Indian and Ceylon tea by the United Kingdom. But, however that may be, there is not an educated and intelligent person, whether Englishman or Indian, who does not know perfectly well that any direct and avowed protection of Indian nascent industries against Lancashire is altogether out of the question.

What remains, then, if we are to get any help at all for those Indian industries? Obviously there only remains the possibility of Imperial Swadeshi—that is, Imperial Preference. It may not seem quite so effective in the eyes of many Indian-born economists who wish for absolute local protection. But surely half a loaf is better than no bread, and they may rest assured they will never get protection against Lancashire; for English Conservatives would oppose such a measure as an unfriendly act between two States of the British Empire, and therefore unpatriotic, and English Radicals are of course compelled to loathe the idea of such a measure because of their fetish-worship of the Free Imports.

§ 6. On the other hand, in Imperial Preference we should have a measure which, while stimulating friendly feelings between Englishmen and Indians, while showing our Indian fellow-subjects that we do not regard them as aliens and foreigners, will at the same time *pro tanto* encourage Indian nascent industries. For it will, at any rate, deliver them from the unfair advantage possessed by their protected rivals, and will, in fact, put all commercial competitors on a fair and equal footing.

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India possesses enormous natural advantages for successful manufacturing industries. She has the finest supply of raw materials in the whole world at her very doors, cheaper and better than anywhere else ; and if it pays the Germans and other industrial communities to buy these materials in Calcutta, to carry them to Hamburg or Bremen or Antwerp or Marseilles or Havre, to employ hundreds of thousands of their working men in working them up, and then to send back the finished product to be sold in Calcutta, why, surely India can do better by manufacturing on the spot, if only her industry can be put on a level footing with the protected industries of foreign countries. For Indian labour is absolutely unrivalled in the world, if regard be had to the various factors of cheapness, efficiency, docility, and sobriety, in combination. Men like the late Mr. Tata have appreciated these points ; and they have realised that the one great handicap that India has suffered from in industrial competition has hitherto been our antiquated fiscal system bolstered up under the fraudulent name of ' Free Trade.'



CHAPTER X

IMPERIAL PREFERENCE WILL PROMOTE THE MORAL AND MATERIAL WELFARE OF INDIA

§ 1. It is quite natural and reasonable that that considerable body of Indian merchants and brokers whose chief business is with foreign countries should look with some reserve and suspicion on proposals intended to stimulate the trade between India and the rest of the Empire. For it may be admitted that the British trade has already some advantage—of language, of custom, of mutual knowledge and credit, of law, of easy communication, and so forth—that the foreign trade lacks. But I claim to have shown that the foreign trade with India is certain to benefit and to expand with any wide expansion of British trade ; and that there is not the slightest probability either of our foreign customers diminishing their purchases from us, or of foreign Governments putting any fiscal burdens on our trade, merely because of a small alteration in our own domestic fiscal arrangements between India and England, in the direction long ago adopted by every other commercial empire, and I have also shown that the British Empire is easily capable of absorbing all and more than all the products that any expansion of Indian industry can create.

I have also indicated some of the direct benefits to India that will be conferred by Imperial Preference. It is of equal benefit to India as to England that the

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Empire should be consolidated and welded together by closer commercial ties—that there should be an increase of sympathy and good feeling between the English and the Indian subjects of our Emperor-King. But there are many other direct benefits that need only be briefly mentioned, as their value is obvious.

§ 2. For instance, Imperial Preference, and the consequent immense expansion of Indian exports to Britain and the Colonies, will greatly benefit Indian finance. For India is a great debtor country—to the tune of something like 30 millions sterling per annum. But the whole of that debt is, practically, to the United Kingdom, largely consisting of the interest on the vast sums of capital that have been lent to India by English capitalists for her railways, her public debt, her mines, her mills, and her other industrial enterprises, at rates and on terms far easier than any obtainable elsewhere. Surely it is obvious to the meanest intelligence that those obligations are most cheaply liquidated by direct shipments of produce from Calcutta or Bombay to London, rather than by shipments of raw material to Hamburg or Havre, and subsequent shipment of manufactured goods from Germany or France to England. Moreover, under the former arrangement the Empire gets the full benefit of the Hamiltonian ‘double bargain;’ India gets the profit on the sale, and Britain gets the profit on the purchase, and both profits are kept within the Empire. Of course it does not matter one rap to the Indian merchant as an individual whether his cargoes go to London or to Marseilles; all that concerns him as an individual is the amount and security of the profit, and this fact has rather tended to obscure his appreciation of the true economics of the transaction. But to the community—that is, to the Empire at large—the difference is highly important on the face of it, and for this reason, if for no other, the Government of India in general, and

the Finance Minister in particular, ought warmly to favour Imperial Preference.

§ 3. Another direct benefit might be looked for in the fact that the increase of purchasing power among the masses of India would tend rapidly to improve and raise their standard of living and comfort; and this would rapidly react on the home industries of India, which would find a large and growing market at home. And this tendency would be immensely stimulated by the abolition of the pernicious excise duties on Indian cotton goods, and by the protection afforded to Indian nascent industries by the small but appreciable duties that would still be levied on the imports of foreign goods.

§ 4. Then, again, the great increase in the commerce between English-speaking mercantile communities in India, England, and the Colonies—and in this the American trade would share to some extent—would largely improve the chances of a lucrative commercial career for English-speaking Indians.

§ 5. The Indian tea, coffee, indigo, and similar interests have, very wisely and properly, striven hard from time to time to effect a footing in the protected markets of the Continent and America. Under great difficulties and disabilities they have achieved very considerable success; and unquestionably every achievement in this direction has been a direct and notable gain to India. Those who advocate Imperial Preference are all for the extension and expansion of markets, whether inside the Empire or outside, and they hold that we shall never have any security in the outside markets until we are able to offer those foreign nations a *quid pro quo*, which, of course, we cannot do so long as we insist on the silly old shibboleth, 'No import duties except for revenue.' But I say, after many years' close and assiduous study of the subject on the spot, that no

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intelligent cosmopolitan observer can doubt for a moment, on a general survey of this trade, that all the chances of a wide expansion of the tea trade in all the foreign countries of Europe and America do not offer half the possibilities of expansion that are to be found in the United Kingdom and the Colonies, notwithstanding the fact of the already immense consumption within the Empire. The same remarks will apply to the indigo industry, with the addition of this further consideration, that if we had a tariff in India, and the power to use it in negotiation, the Government of India would be immediately placed in the position to put a stop at once to the protection that is now given to synthetic indigo, which has been the chief cause of the decay of indigo in Behar and Bengal, and this further consideration applies with equal strength to the case of coffee.

§ 6. Even more important than these, in their bearing on the welfare of the whole of India, are the advantages that will be derived from the encouragement that will be afforded to such generally distributed industries as those connected with the production of wheat and other food grains, of sugar, of oil seeds, of jute, of tobacco, and also the various milling industries. The *Hindoo Patriot* is an old-established and clever Calcutta journal of high repute, conducted and written entirely by gentlemen of Indian birth, and its issue of October 2, 1906, contained a most valuable and informing paper on 'Indian Mill Industries,' dealing specially with the cotton, jute, woollen, and paper industries. I am glad to observe from it that the best and most enlightened opinion among our Indian fellow-subjects in Bengal has definitely pronounced against the uneconomical and senseless 'boycott' that was preached by some people as 'Swadeshi,' and has come round to the view that very different methods are required for the encouragement of the nascent industries of India. The *Hindoo Patriot* directs

attention to the enormous import into India from Germany of cheap shawls and other woollen goods. The cheapness of these goods, which is due entirely or mainly to the favourable conditions in which they are produced under the Protectionist fiscal system of Germany—for the 'law of surplusage,' to which I have often referred in these essays, enables them to be profitably sold at a price less than the actual cost of production of the same goods when produced in smaller quantities—makes it at present absolutely hopeless for Indian mills to compete with them. India, like England, must submit to 'dumping'—to this unfair handicapping of her productions—so long as Protectionist countries work a scientific tariff in such a way as to favour their own working men and their own industries; while we are contented to be the dumping-ground where all industries must ultimately be strangled if left to the tender mercies of foreign Governments and foreign tariffs. And India, like England, can only be freed from this ridiculous slavery—which his Highness the Maharaja Gaekwar of Baroda wisely called 'the loss of industrial status, and the reduction of a whole people to a helpless proletariat'—by those sensible fiscal measures which the Gaekwar properly described as 'national defence against alien industrial inroads.' If we only have the common sense to meet tariff by tariff we shall ultimately have the satisfaction of being able to reciprocate Free Trade and Fair Trade with every commercial community that is willing to deal with us on fair terms, and to free ourselves from the bondage of the others.

The excise duty of $3\frac{1}{2}$ per cent. on all cotton cloths produced in Indian mills, to which I referred in § 3, is acknowledged by every unprejudiced observer to be a monstrous anachronism of the most irritating and inquisitorial character. The Radical Party, by whom alone these mischievous devices of the so called 'Free

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'Traders' are upheld, are fond of posing as the friends of India and of our Indian fellow-subjects. They are also fond of pretending that they 'make no difference of class, colour, or creed ;' and yet, I maintain, not even a Free Fooder would seriously contend that we should force on the Canadians or the Australians such excise duties as those which are imposed on the Indian products of Indian mills and factories merely to gratify Cobdenite prejudices. And not even a Free Fooder will pretend to doubt that if we had only the courage to abolish this vexatious and inquisitorial tax a great expansion of the Indian milling industries would at once follow, especially if, at the same time, those industries were placed on a fair level with the Tariff-protected industries of foreign countries.

§ 7. In Chapter V., § 7, I pointed out that, in the wheat-growing industry of the Punjab and the Upper Provinces, Imperial Preference, with only an import duty of 2s. per quarter imposed in British ports on foreign wheat, would mean not only a vast extension of the industry in Upper India, with contingent advantages for other parts of the country, but also the provision of such an insurance against Indian famines as no other measure can offer. To Sir Edward Buck and Sir Charles Elliott belongs the credit of having been the first to indicate the enormous advantages that would accrue to the whole of India by such a famine insurance as this. There are many millions of acres of good wheat-growing land in the Punjab and the Upper Provinces lying idle—cultivable but uncultivated—that only await the irrigation canal and the plough (see Appendices E and F). The moment that the stimulus was applied to this industry of an assured preference of 2s. a quarter in the boundless markets of the United Kingdom we should see a rapid extension of irrigation, and large tracts of this cultivable land brought under the plough, giving

employment to whole armies of cultivators at present landless in the congested districts of over-population. Now, the wheat crop grown under irrigation is not subject, even in the dry zone, to the droughts that play havoc with our other crops and that cause our Indian famines. In ordinary years, when the supplies of our other food grains in India are plentiful, these wheat crops would find a ready and secured market in England, enriching the whole country. In famine years a very slight rise in general prices would keep part of these wheat crops in India, their place in the British market being temporarily taken, at a slight increase in price, by colonial or foreign wheat. In India they would form a famine supply, exactly as and when they might be needed; and by a sort of sliding scale they would serve to regulate the price of food of the people; in times of slight scarcity only a part of the crop would be diverted from its ordinary destination by the automatic action of the rise in price of other food grains, while in the dread event of real famine the whole of these huge supplies would be available, almost on the spot, to keep the people alive.

When one considers the infinite advantages to the masses of the Indian people that are thus offered by a preference on wheat, advantages so clearly indicated by the powerful arguments of Sir Edward Buck and Sir Charles Elliott, the remarks of the Despatch of October 22, 1903, on the subject seem pitifully mean and inadequate. The Despatch admitted that 'in the case of wheat there is ample room' for preference. But, it was added, 'the supply from India, though increasing, is still uncertain'—as if anything else were at all possible so long as the price of wheat in London is regulated solely by American harvests and by 'corners' in New York or Chicago! And, further, it was grudgingly noted that 'any advantage that might be given would be shared not merely with Canada, Australia, and New Zealand,

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but also with growers in the United Kingdom itself'—as if this fact, which ought to be a matter of satisfaction to every loyal subject of the British Empire, neutralised the actual economic value of the preference, merely because it would not be confined to any one community! And lastly, sinking to the lowest level of the Free Fooder, this somewhat slovenly document continues, 'It seems inevitable that any duty that may be imposed on this article, and therefore any preference to India, must be of relatively small amount'—as if a preference of 2s. on an average value of 30s., or nearly 7 per cent., were not amply sufficient margin, in these modern days of close competition, to give the decisive 'turn of the market' to the favoured community! I should like to ask any intelligent exporter of Indian wheat if he would turn up his nose—as the Despatch does, if a despatch can be said to have a nose to turn up—at even a 5 per cent. all-round addition to his present profits. After all these feeble attempts to minimise or ignore the obvious and undeniable economical advantages to India of this great fiscal reform—and the Despatch has not one word to say of the equally undeniable political advantage—the reader is not surprised to find the conclusion of the whole matter summed up, by the unknown author, in a series of inane and futile truisms about Preference, utterly incompatible with the declared policy of the Government of India in favour of Retaliation.

§ 8. The production of raw sugar, either from the sugar cane or from the date palm, is perhaps the most widely distributed of all Indian industries. It is an industry that ought to be lucrative in almost every Indian district. Some years ago, before the counter-vailing duties were imposed, and while the Continental dumping of bounty-fed beet sugar in India was in full swing, I was shown by an Indian friend in Bangalore a neat cardboard box, bearing the well known inscription,

‘Made in Germany,’ and containing a certain number of neatly packed cubes of refined sugar. The price was distinctly lower than the actual cost of production in Mysore of a similar quantity and quality of cane sugar—and *a fortiori* still lower than that of beet sugar in Germany and Austria ; and my Indian friend informed me that some thousands of bighas of sugar-cane land had gone out of cultivation in Mysore alone, owing to the crushing competition of this bounty-fed sugar. Now, we do not ask for bounties, or even such a measure of Protection as would enable Indian sugar to displace beet-root sugar in Berlin or Vienna. But we do suggest such a measure of Imperial Preference as would enable Indian sugar to hold its own in the bazaars and shops of India, and to furnish some of the enormous supplies consumed in the United Kingdom, Canada, and other States of the Empire.

§ 9. Or consider the case of the less widely distributed, but locally more valuable, industry of indigo-production, which has come down to us from early Mughal times, to be strangled by our Free Trade prejudices in favour of synthetic indigo in the twentieth century. Sir Edward Law said of this—

‘It should be specially noted that if, in accordance with the general foreign system of tariffs, the United Kingdom were to impose a reasonable duty on synthetic indigo as a chemical compound, whilst admitting natural indigo free, the difficulties of our indigo-planters would disappear as if by magic—and this is perhaps not too much to expect, the competition between the two articles being so close that the manufacturer could not appreciably suffer by the exclusion of the one or the other. This is an important point which should not be lost sight of.’

And it should not be forgotten that the revival of the indigo industry would mean the return of much-needed

prosperity to many of the most congested districts of Bihar and Bengal.

§ 10. Nearly the same remarks, *mutatis mutandis*, will apply to the coffee industry, which our stupid fiscal system permits to be a mere pawn or counter in the fiscal battles between the Protectionist countries of Europe and the coffee-producing States of Brazil and Central America. Lord Curzon—under the wise pressure, as it would seem, of Sir Edward Law—at a very critical moment in the history of this industry showed himself to be a vigorous, full-blooded Tariff Reformer, to the immense advantage of India; and the story of the Indian negotiations with France on that historical occasion, as told in the Despatch on Preferential Tariffs, so entirely bears out all my contentions that I venture to quote it in full, from Blue Book Cd. 1931, pp. 9, 10. Lord Curzon wrote—

‘It has been brought home to us by recent events that, even without any hostile action on our part, it is possible for India to become the object of attack by foreign nations. In 1900 the action of France in proposing to subject imports from India to the higher or General Tariff, in place of that formerly applicable to them, was not due to anything we had done, but, so far as we can ascertain, was merely a move in the impending conflict between that country and Brazil. . . . We were enabled, by the grant of a small tariff concession in favour of vinegar and copperas . . . to escape the almost penal enhancement, to which our copper and pepper would otherwise have been subject. . . . Negotiation was rendered possible by the fact that India possesses an import tariff.’

§ 11. And Sir Edward Law, the Finance Minister, in his Minute appended to the same Despatch, wrote as follows :—

‘I may refer to the arrangement concluded with the French Government in February of the current year

(1903). We were threatened with a Tariff rate on the importation of Indian coffee into France, which, in view of Brazilian competition, would probably have killed our trade with France in the article. The French Government proposed that if we would reduce by 50 per cent. the rates of duties on vinegar and copperas imported into India from France, they would permit the importation of Indian coffee, pepper, and tea, under their minimum instead of their General Tariff rates. This proposal affected Indian exports to France of an annual average value of nearly £285,000, and on this value would, if the maximum tariff had been imposed, have resulted in a payment of additional duties on Indian goods imported into France, amounting to £317,600; but it is evident that the imposition of the maximum tariff would have so checked imports of Indian coffee that the French Exchequer would have gained little or nothing. The total value of the imports of French goods (vinegar and copperas) into India affected by the arrangement was only about £12,300, and the loss to Indian revenues by the reduction of duty conceded was £300. It is needless to dwell on the extraordinary advantage to Indian interests secured in this instance by an arrangement on Fair Trade principles.'

§ 12. Those Fair Trade negotiations saved for us the great coffee industry of Southern India; and it seems a thousand pities that the Government of India and Indian commercial men in general have not turned to better account the obvious teaching of those negotiations with France. What was done there, in one of the most important markets for coffee in the world, might be bettered elsewhere by the same sensible procedure; and what can be done for coffee could also be done for all our other Indian products.

§ 13. The case of the tobacco-growing industry of India, which was so often and so ably championed by the late Mr. Durant Beighton, I.C.S., is even more to the point. Tobacco is a plant that can be grown to

advantage over a very large area in India, both in the north and in the south, and also in Burma. It can be produced at a price to defy all competition; and the improvements that have been effected in the quality of the Indian product, even in defiance of the senseless handicapping of our fiscal system, have been amply sufficient to show that careful cultivation and scientific manufacture can produce Indian cigars and Indian tobacco second to none in the world, if only fairly decent treatment be accorded to those products in British and Colonial ports. But both Sir Edward Law and Mr. Durant Beighton have shown, beyond the possibility of denial, that the Indian tobacco trade, which might rapidly grow to gigantic proportions, has been deliberately strangled by the British fiscal system. We impose in the United Kingdom heavy specific duties at per pound on all tobacco imported, whether it be the most costly Cuban, Virginian, or Turkish product; or the struggling cheap tobacco of India, already handicapped by the artificial Indian currency. The immense development of late years of the tobacco grown in Borneo, Sumatra, Java, and the other Eastern countries that are protected by free silver shows what might easily be done with Indian tobacco, if we only had real Free Trade without Free Trade fads. The economic value of such districts as Rangpur, in Bengal, and Dindigal, in Southern India, would be multiplied many times over, simply from their crops of tobacco alone, the moment we obtained Imperial Preference, and Mr. Beighton showed very clearly that Bengal alone, if only given a fair chance, could, before very many years were over, easily produce all the immense tobacco supplies needed for the United Kingdom.

§ 14. It was Lord Beaconsfield whose sagacity first discerned the immense political value and commercial strength secured by the union of England and India.

Speaking in the House of Commons on April 25, 1843, on the subject of commercial negotiations with foreign countries—afterwards taken up warmly by Mr. Cobden—Lord Beaconsfield (then Mr. Disraeli) said—

‘If they meant to obtain advantages by negotiation they must unreservedly announce it, and certainly it would not be long before they attained their end, because the minister of England who negotiated was placed in a much more favourable position than the minister of any other country. He could say what the minister of no other country could say; he could say to the President of the United States with his hostile tariff, “There is a country belonging to the Queen of England that, if necessary, can produce illimitable quantities of that cotton of which you boast so much;” he could say to St. Petersburg, “That very same country within three months in 1843 has sent ships to the port of London with cargoes of flax, hemp, and tallow;” and without sending a special mission to Brazil, without the expense of the mission or the mortification of failure, he could tell the Brazilian Minister, “That very same country in one of its valleys produces enough sugar to feed the whole world, and in another district produces coffee superior to that of the Brazils.”’

§ 15. Another point clearly shown by Sir Edward Law to commend to us Imperial Preference for India is that, as our Indian manufactures increase, and as a larger proportion of our Indian exports takes the form of manufactured products, which are far more portable than raw produce, the cost of the carriage and freight of those exports will undoubtedly tend to become less burdensome.



CHAPTER XI

THE RECOGNITION OF INDIA AS A SOVEREIGN STATE

§ 1. Sir Edward Sassoon, the able Conservative M.P. for Hythe, who speaks with a large personal and hereditary knowledge of Indian commerce, aptly points out that the inclusion of India in Mr. Chamberlain's scheme of Imperial Preference will involve an important recognition of the status of India as a Sovereign State ruled by the King-Emperor. Mr. Chamberlain has from the first postulated—and all other leaders, on both sides of politics, have agreed—that, in such an arrangement as this, India must not be coerced by the British Parliament either to join the Federation against her own will and interests or to remain outside the Federation if she wishes to join it on fair and honourable terms. It is now happily admitted on all sides that, in the Conference and pour-parlers which will debate how far such an arrangement is desirable, and if desirable how far it is feasible, and if both desirable and feasible what should be the terms and conditions of the Federation, India must be adequately represented by free and independent delegates, pledged to insist on the best terms for India that may be compatible with the interests of the Empire at large. I have already suggested some of the terms and conditions that ought to be demanded by our delegates for India when the proper time comes.

§ 2. Let me here suggest another of those conditions

which I think has not yet been formally put forward, though it may be held to issue very naturally from Sir Edward Sassoon's proposition referred to above. I commend the suggestion very earnestly to the close and careful consideration of every Indian-born journalist both on the English and on the vernacular Press of India. It is this : that the first condition on which Indian Preference is offered to any other State or community in the Federation should be the frank recognition, in the laws and regulations of that State, of the ordinary rights of Imperial citizenship as inherent in every Indian-born subject of the King-Emperor. Of course in the case of the United Kingdom this stipulation is unnecessary. Indian-born politicians have sat, and will, I hope, always sit, in the House of Commons precisely on the same level as their English, Scottish, Irish, and Colonial fellow-subjects. An Indian gentleman resident in a British constituency becomes a Parliamentary elector on the same terms as his neighbours. Our Universities, our Inns of Court, our Medical Schools, are as freely open to Indians as to Englishmen. But it must be admitted that, as yet, things are not so happily ordered in some, perhaps most, of our ultra-democratic Colonies. In all history it has been seen that race prejudices die hard in a free democracy. At this very moment of writing we are witnessing a most lamentable illustration of this undeniable tendency in the anti-Japanese attitude of the democracy of California. Within our own Empire we have quite recently observed similar unfortunate difficulties arising in the Transvaal ; and a deputation of British Indians from that Colony has been visiting England, charged with the honourable duty of obtaining support for the maintenance of their rights as citizens of the British Empire.

§ 3. Now I declare unhesitatingly that all the best and most cultured Englishmen, Scotchmen, and Irish-

men deprecate those prejudices, and desire their eradication as ardently as any Indian patriot, and I know that many of my Indian friends gladly and willingly admit that it is so. And yet every educated Indian, as well as every educated Englishman, Scotchman, or Irishman, knows perfectly well, as a hard, uncompromising political fact, that no sensible person can doubt for a moment that it is absolutely impossible for us to dictate to the self-governing Colonies, in such a matter, or to attempt to coerce them into more reasonable and just dealing. It is simply and absolutely a matter for education and for persuasion.

§ 4. Now, if the truth of all these arguments be admitted—and I cannot imagine any honest man of good education denying it—surely it follows that the establishment of an Imperial Federation for Preferential Trading would offer simply an ideal and unique opportunity of obtaining for British subjects of Indian birth the full franchises and rights of Imperial citizenship in the self-governing Colonies that they already enjoy in the United Kingdom. For be it remembered that in every Colony—even in the most democratic, like the Transvaal—there is a considerable body of educated public opinion that is in favour of the juster and truer policy, and that will gladly welcome the reinforcement of their views by such a valuable and tangible concession as the offer of a trade preference in the vast and limitless markets of India. Men of light and leading, like Lord Selborne in South Africa or Sir Wilfrid Laurier in Canada, would find their hands immensely strengthened for this great and truly Imperial reform if they could carry with them in this way the enlightened self-interest of the commercial and industrial classes in their respective Colonies. The British colonist will never submit to be dragooned into goodness, any more than the Lancashire man will submit to a boycott ; such

methods defeat their own objects and tend to render them absolutely unattainable. But education and persuasion, when backed up by commercial and industrial self-interest, would soon prove irresistible. If I were an Indian delegate, and entered the Imperial Conference with a mandate to offer Indian Trade Preference in return for British and Colonial Trade Preference *plus* equal treatment for British Indian subjects in all parts of the Empire, I should do so with the fullest confidence of success.



CHAPTER XII

GENERAL CONCLUSIONS

§ 1. In conclusion, then, I ask my readers to imagine, with me, that an Imperial Commercial Federation of the whole British Empire has been established, and that India has taken her proper place therein as the most important member of it, except only the United Kingdom, and then to consider how many and great will be the advantages accruing immediately and directly to her commercial and industrial communities, and indirectly to the whole of the population.

§ 2. The tea, coffee, and indigo industries will at once be enormously stimulated; for whilst their exports to foreign markets will at least be uninterfered with—and may even be improved by the power of bargaining with foreign Governments that will be acquired for the first time—it is certain that the Indian exporters will at once capture a far larger share than hitherto of the British and Colonial consumption. Cotton mills will be relieved from the odious excise duties. Their products, with those of the jute, leather, and other factories—obtaining a preference in the United Kingdom and the Colonies, and the advantage of the bargaining power with foreign countries—will rapidly find a greatly expanded market. Shares in tea, jute, cotton, sugar, and other industrial concerns will naturally increase rapidly in value. A tobacco industry will arise in Rangpur, in Dindigal, and many other parts of India, equal to that which has

enriched Cuba and Virginia. The sugar-cane lands that have gone out of cultivation by reason of the deluge of European beet sugar will once more yield their rich and lucrative harvest to the Indian cultivator and the Indian refiner. The millions of acres of cultivable wheat-growing land in the Punjab and Upper India, now lying waste for want of an adequate stimulus and security for the trade, will be brought under irrigation, and will give employment and a higher standard of living and comfort to millions of the population of the so called 'congested districts.' And as this great staple food grain will be grown on irrigated land, and will therefore be independent of the vagaries of the monsoon—and as it is obvious that any heavy rise in price of other food grains will react on wheat prices, and will automatically retain Indian wheat in India in time of threatened famine to save precious Indian lives—I honestly believe that this one benefit alone is amply sufficient to induce every true and enlightened Indian patriot, every wellwisher of India, whether of English or of Indian birth, earnestly to strive for the great boon of Imperial Preference for India.

§ 3. Further, Imperial Preference will increase and secure the stability of the Indian financial system, not only by increasing generally and largely her export trade, but especially by at once largely increasing the direct trade with the United Kingdom. For India's financial indebtedness for the capital sunk in her railways, in her debt, and in her undertakings of all sorts is entirely to the United Kingdom, and it is a mere truism that that indebtedness must be liquidated far more cheaply by direct than by indirect payments, by consignments sent direct to London rather than by consignments to Hamburg, Antwerp, or Havre, there to enrich the thousands of foreign middlemen before being sent on in a manufactured form to London.

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Moreover—and this is not less important than the last-named consideration—the export trade to the foreign Protected countries is, obviously and undeniably, at the mercy of their protectionist Tariffs. In other words, the financial stability of India, under our present fiscal system, depends absolutely on the convenience and the goodwill of foreign Governments, over which neither we nor the Imperial Government can exercise any control whatever.

§ 4. Indian public opinion is absolutely unanimous in demanding some protection for our Indian nascent industries. It is, at the same time, as absolutely certain that no Indian Government will ever attempt to accord this protection at the expense of Lancashire; and I think that no Indian patriot, who is also patriotic towards the Empire, would wish for this. But surely the Indian Government should defer to Indian public opinion in this matter, so far as it reasonably and properly can do so; and Imperial Preference enables it to give a considerable and appreciable protection to Indian products and the Indian manufactures of the future, not only in India itself, but also in England and the Colonies. So that the Indian Protectionists—that is, the whole of the Indian peoples—may fairly accept half-protection in the United Kingdom, and the Colonies as well as in India, as something like an equivalent for that complete protection within the more restricted markets of the country for which they have been asking.

§ 5. And lastly, into the Imperial Commercial Federation of the British Empire India will enter as a Sovereign State, under her own Emperor and Government, on absolutely equal terms with every other member of that Federation. She will be entitled, and will be able, to secure for her subjects that honourable treatment and consideration for her own peoples in every other of the States of the Federation which is already

theirs by birthright in India and the United Kingdom. She will be entitled, and will be able, to secure for her merchants and producers and manufacturers every privilege, and every franchise, enjoyed by their fellows in the United Kingdom, in Australia, in Canada, in South Africa, in New Zealand. As Sir Edward Sassoon has acutely observed, it will raise the international status of India in a way that no other measure could raise it. These may be sentimental considerations, but the strength of the feeling that has been aroused by the unfair and improper treatment of British Indians in the Transvaal, by the Japanese question in California, by the Lascar question in Australia, and by similar questions elsewhere, shows clearly enough that these considerations are of infinite importance where national self-respect is concerned. And, however this may be, I have shown that in its solid material advantages to the progress and prosperity of the Indian peoples, equally with these less tangible but not less important or far-reaching moral benefits, the cause of Imperial Preference is one that should command the earnest support of every wellwisher of India.



APPENDIX A

EXISTING COLONIAL PREFERENCES

From Blue-book Cd. 3195

NEW ZEALAND

Preferential Trade.—Under the New Zealand 'Preferential and Reciprocal Trade Act, 1903' (No. 78 of 1903), which came into force on November 16, 1903, it is provided that on the undermentioned articles, *not* being the produce or manufacture of some part of the British dominions, the following duties be imposed :—

Cement	An <i>additional</i> amount equal to the amount payable under the General Tariff.
Basket and wicker ware, n.o.e., not being furniture	
Bicycles, tricycles, and the like vehicles ; also finished or partly-finished or ma- chined parts of same, n.o.e., including weldless steel-tubing cut to short lengths	An <i>additional</i> amount equal to 50 per cent. of the amount payable under the General Tariff.
Boots, shoes, and slippers, n.o.e. ; goloshes, clogs, patterns, vamps, uppers, and laces	
Candles	
Carriages, carts, drays, waggons, and perambulators, and wheels for the same	
China, porcelain, and Parian ware . . .	

Clocks
Cordage and rope, n.o.e.
Cream of tartar
Earthenware, stoneware, and brownware
Fancy goods and toys
Firearms, all kinds
Fish, potted and preserved
Furniture and cabinetware, n.o.e., and other than iron
Glass, crown, sheet, and common window
Glassware ; also plate-glass, and glass polished, coloured, and other kinds, n.o.e. ; globes and chimneys for lamps
Hardware, ironmongery, and hollow-ware
Hops
Iron nails
Iron pipes and fittings for same, includ- ing main cocks
Lamps, lanterns, and lamp wick
Musical instruments—viz. pianos
Paperhangings
Paper, wrappings— viz. blue candle, glazed cap, glazed casings, small- hand, lumber-hand, and tissue
Paper, wrapping ; other kinds, including brown, cartridge, and sugar papers
Plate and plated ware
Pumps and other apparatus for raising water
Bicycles and tricycles, fittings for— viz. rubber tyres, pneumatic tyres, outside covers, and inner tubes ; rubber and cork handles, and pedal rubbers ; also drop-forgings and stampings, ball-bearings, weldless steel tube in full lengths, rims, forks and spokes in the rough

An *additional*
amount equal
to 50 per cent.
of the amount
payable under
the General
Tariff.

20 per cent. *ad*
*valorem*¹

¹ When the produce or manufacture of some part of the British Dominions these articles are duty free on importation into New Zealand.

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Gas engines and hammers, and oil-engines	} 20 per cent. <i>ad valorem</i> . ¹
Gumboots	
Iron and steel cordage	
Iron, plain black sheet, rod, bolt, bar and plate	
Printing-paper	
Rails for railways and tramways	
Sailcloth, canvas, and unbleached double-warped duck	
Surgical and dental instruments and appliances	

[*Note*.—For the rates of duty levied under the 'General Tariff,' see under the head of 'New Zealand' in the body of this return.]

The Preferential and Reciprocal Trade Act of 1903 further provides, with respect to all the above-mentioned articles, that—

- (a) The full duty shall be payable unless there is produced to the collector an invoice of the goods having written or printed thereon a certificate signed by the sender or consignor, in such form as may be prescribed by the Commissioner, stating that the goods are *bond fide* the produce or manufacture of some part of the British dominions named in the certificate.
- (b) No such invoice shall relate to any goods other than those to which the certificate refers.
- (c) Where such goods are imported in packages, such packages shall not contain any goods other than those specified in the invoice, and if any other goods are found in any such package they shall be forfeited.
- (d) Every importer or agent of an importer who produces any invoice or certificate under this section,

¹ When the produce or manufacture of some part of the British Dominions these articles are duty free on importation into New Zealand.

knowing the same to be false in any particular, is liable to a fine not exceeding 100*l.*, or, at the option of the Commissioner, to treble the value of the goods specified in such invoice.

In the form of certificate prescribed to be used for entry of goods under the Preferential Tariff from and after April 1, 1905 (Commissioner's Order No. 744 of June 21, 1904), it is laid down that a substantial portion of the labour of one or more of the countries entitled to preferential treatment must have entered into the production of every manufactured article to the extent in each article of not less than *one-fourth* of its value in its present condition, ready for export to New Zealand.

In the case of the non-production of the prescribed certificate (owing to accident) at the time of the importation of the goods which the Collector has reason to believe are the *bonâ fide* produce of the British dominions, the full amount of duty paid may be held on deposit by the collector at the port of importation, and returned to the importer if the invoice with the certificate is produced within six months from the date of payment of the deposit (Order in Council of November 7, 1904).

It is required that goods imported into New Zealand shall be accompanied by the original manufacturer's invoice.

Note.—Information as to the exact form of the certificates of origin required for the entry of goods under the New Zealand Preferential Tariff may be obtained at the office of the Commercial Intelligence Branch of the Board of Trade, 73 Basinghall Street, E.C.

Reciprocal Trade.—The following provisions are also enacted in the Act No. 78 of 1903, respecting Reciprocal Trade relations with any part of the British dominions and with foreign countries :—

Where any country being part of the British dominions reduces or abolishes, or proposes to reduce or abolish, the duty on any product or manufacture of New Zealand, the Governor may enter into an agreement with that country to reduce or abolish the duty on any article or articles the

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produce or manufacture of such country to an extent that the estimated revenue, so remitted, shall equal as nearly as possible the estimated revenue remitted by that country ;

Provided that no such agreement shall have effect until ratified by the Parliament of New Zealand. ●

Where any country not being part of the British dominions reduces or abolishes, or proposes to reduce or abolish, the duty on any product or manufacture of New Zealand, the Governor may, subject to or by virtue of a treaty with His Majesty, negotiate with such country for an agreement with that country to reduce or abolish the duty on any article or articles the produce or manufacture of such country to an extent that the estimated revenue, so remitted, shall equal as nearly as possible the estimated revenue remitted by that country ;

Provided that such agreement shall not have effect or be operative until ratified by an Act of the Parliament of New Zealand.

SOUTH AFRICAN CUSTOMS UNION

The following articles may be imported free of duty :—

- (i.) All raw produce of South Africa and animals bred in South Africa imported into the Union overland ; also all animals bred and articles grown, produced, or manufactured within the South African Customs Union are free of duty within the Union, except—

Spirits, beer, or blasting compounds, distilled or manufactured in the Union, in case of the imposition of an excise duty, or the prohibition of manufacture for sale.

Preferential Tariff.—Under Article III. of the South African Customs Union Convention of 1906, which came into force on May 25 of that year,¹ a rebate of the duties is

¹ The imposition of the new duties on match splints, timber, galvanised, &c., sheets, skimmed, condensed milk and second-hand clothing, was, in some Colonies, suspended for a time, but the duties on the above articles were all in force on October 1, 1906, except in the case of match splints imported in all Colonies (except the Cape), the duties on which are to come into force on January 1, 1907.

allowed on articles the growth, produce, or manufacture of the

United Kingdom

imported into the Union for consumption therein.

The rebates granted are as follows :—

- (a) On certain goods charged with *specific* rates of duty, a rebate of varying amount, for which see under the various articles in the body of this return.

[Such rebate is equivalent to about 3 per cent. *ad valorem*.]

- (b) On goods liable to *mixed* rates of duty—i.e. specific and *ad valorem* rates—and also on goods liable to *ad valorem* rates of duty, a rebate of 3 per cent. *ad valorem*.¹

Provided that the manufactured goods and articles in respect of which such rebate as aforesaid is granted are *bonâ fide* the manufactures of the United Kingdom, and that in the event of any question arising as to whether any goods or articles are entitled to any such rebate, the decision of the Minister or other Executive Officer in whom the control of the Customs Department immediately concerned is vested shall be final.

Article IV. provides that a similar rebate to that granted to goods imported from the United Kingdom under like provisions may be granted to goods and articles the growth, produce, or manufacture of any British colony, protectorate, or possession granting equivalent reciprocal privileges to the colonies and territories belonging to the South African Customs Union.

Under the above Article the same rebate is granted to goods the growth, produce, or manufacture of the

Dominion of Canada

By Article V. it is provided that every contracting party to the Customs Union Convention shall collect the Customs

¹ Consequently, goods subject to a duty of 15 per cent. *ad valorem*, would, if entitled to rebate, be liable to a duty of 12 per cent. *ad valorem* only.

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duties payable upon all goods imported within its borders from outside the limits of the Union for removal from the collecting colony or territory into any other part of the Union, and recover for and pay over to the Government of the colony or territory into which the goods are so removed for consumption the duties so collected by it on such goods, subject to a deduction of 5 per cent. of the duty collected.

The Customs Regulations provide that no rebate will be allowed unless there is produced on importation, for the purpose of proving that the goods are *bond fide* the manufacture of the United Kingdom or the Dominion of Canada, to the proper Customs officers—

- (a) A signed statement by the suppliers on the invoice, or
- (b) A certificate of origin duly signed by the manufacturers, or
- (c) Such other or further evidence as may be required.

In order to obtain the rebate of duty on manufactured articles, not less than *one-fourth* of their value, in the condition ready for export to South Africa, must have entered into their production in the United Kingdom or the Dominion of Canada.

Note.—Information as to the exact form of the certificates of origin required for the entry of goods under the South African Customs Union Preferential Tariff may be obtained at the office of the Commercial Intelligence Branch of the Board of Trade, 73 Basinghall Street, E.C.

The Customs Union Convention of 1903 was superseded by the Convention of 1906, which came into force on May 25, 1906. The new Convention was agreed upon at a Conference held at Pietermaritzburg in March of that year by representatives of the Governments of—

Cape of Good Hope,
Natal,
Orange River Colony,
Transvaal, and
Southern Rhodesia.

At the same time provision was made for the admission to the Union of—

Basutoland,
Bechuanaland Protectorate,
Swaziland, and
Barotzeland (North-Western Rhodesia).

NORTH AMERICA (DOMINION OF CANADA)

British Preferential Tariff (b) (c).—Under the provisions of the British Preferential Tariff Act 37 of 1898, as amended by Act 15 of 1900 :—

‘Articles which are the growth, produce, or manufacture of any of the following countries may, when imported direct (a) into Canada from any of such countries, be entered for duty or taken out of warehouse for consumption in Canada at a reduction of one-third of the duty’ :—

The United Kingdom.	British West Indies— <i>cont.</i>
Bermuda.	Windward Islands :—
British West Indies :—	Grenada.
Bahamas.	St. Vincent.
Jamaica.	St. Lucia.
Turk's and Caicos Islands.	Barbados.

(a) Goods imported *in transit* through an intermediate country will be taken as imported direct on production of bill of lading, &c., proving that the goods were originally intended for Canada.

(b) The British Preferential Tariff Act 37 of 1898 superseded the Reciprocal Tariff on August 1, 1898, and the reduction of *one-fourth* of the duty allowed under Act 37 of 1898 was, under Act 15 of 1900, increased to *one-third* as from July 1, 1900.

(c) Under Act 11 of 1904, which came into force on June 8 of that year, certain fixed duties are imposed on woollen fabrics (except blankets, flannels, bed-comforters and counterpanes), cordage and twine, table-ware of china, &c., and common window-glass, when imported under the British Preferential Tariff.

British West Indies—*cont.*

Leeward Islands :—

Virgin Islands.

Antigua.

St. Kitt's and Nevis.

Montserrat.

Dominica.

Trinidad and Tobago.

British Guiana.

British India.

Ceylon.

Straits Settlements.

New Zealand (from February 26, 1904).

South African Customs Union (from July 1, 1904).

Also any other British colony or possession the Customs tariff of which is, on the whole, as favourable to Canada as the British Preferential Tariff above referred to is to such colony or possession.

Provided, however, that manufactured articles to be admitted under such preferential tariff shall be *bonâ fide* the manufactures of a country or countries entitled to the benefits of such tariff, and that such benefits shall not extend to the importation of articles into the production of which there has not entered a substantial portion of the labour of such countries. Any question arising as to any article being entitled to such benefit shall be decided by the Minister of Customs, whose decision shall be final.

The British Preferential Tariff provides that the above reduction of duty shall not apply to wines, malt liquors, spirits, spirituous liquors, liquid medicines, and articles containing alcohol ; tobacco, cigars, and cigarettes ; and further that the reduction shall only apply to refined sugar when evidence, satisfactory to the Minister of Customs, is furnished that such refined sugar has been manufactured wholly from raw sugar produced in the British colonies or possessions.

The Customs Regulations provide that, in order to obtain rebate under the British Preferential Tariff, exporters must furnish a separate invoice to the Customs authorities for goods entered under this tariff, and that the certificates of origin required must be written, printed, or stamped *on the invoice*. It is laid down in the certificates prescribed that not less than *one-fourth* of the value of every article, in its condition ready for export to Canada, must have entered into the production of every manufactured article in the countries entitled to preferential treatment.

The same reduction (of one-third of the duty) is allowed upon raw sugar when imported direct from *any* British colony or possession.

Note.—Information as to the exact form of the certificates of origin required for the entry of goods under the British Preferential Tariff of the Dominion of Canada may be obtained at the office of the Commercial Intelligence Branch of the Board of Trade, 73 Basinghall Street, E.C.

Surtax on German Goods.—It is also provided by Act 15 of 1903, which came into force on April 17, 1903, that—

‘Articles which are the growth, produce, or manufacture of any foreign country which treats imports from Canada less favourably than from other countries may be subject to a surtax equal to one-third of the duty’ imposed under the Canadian General Tariff.

The Minister of Customs has decided, under powers granted him by the above Act, that the goods of the following country are subject to the surtax in Canada :—

Germany

The surtax is to apply to any articles the chief value of which was produced in such foreign country, although it may have been improved or advanced in value by the labour of another country, notwithstanding the provisions of the British Preferential Tariff and Regulations thereunder.

Such surtax at the present time only applies to German goods.

The Customs regulations, which were approved on November 28, 1903, for the purpose of carrying out the provisions of the above Act 15 of 1903, provide that, ‘in determining whether or not any article imported into Canada which has been produced, improved, or advanced in value by the labour of any country other than Germany, is subject to the surtax by reason of a portion of the value thereof having been produced in Germany, the fair market value of the article or material grown, produced, or manufactured in Germany which has entered into the manufacture of the article imported into Canada shall be held to be the value produced in Germany within the meaning of the Tariff

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Act respecting the surtax.' A certificate from exporters is required to be written, printed, or stamped on all invoices of goods, certifying that none of the goods included in the invoice were produced in Germany, except otherwise stated.

Any question arising as to any foreign country or goods coming under the operation of this Act shall be decided by the Minister of Customs, whose decision shall be final.

The importation of the following articles is prohibited :—

Goods manufactured or produced wholly or in part by prison labour, or which have been made within or in connection with any prison, gaol, or penitentiary.

The Governor in Council may remit the whole or any portion of the duty upon wine, currants, raisins or other articles imported into the Colony direct from the country of production, when it shall be proved to his satisfaction that the duty on codfish, the produce of Newfoundland, imported into such country has been or will be reciprocally reduced.

By an Act, assented to on May 10, 1906, the Governor in Council is empowered to grant to any company or person engaged in the herring fishery in the United Kingdom who shall furnish satisfactory evidence that it or he is about to engage during the year 1906 or 1907 in the herring fishery on the coasts of Newfoundland, in the manner and according to the method known as drift net fishing on the open sea, free entry for all boats and outfits necessary for the undertaking.

Note.—The following is an extract from the 'Supplement to the Board of Trade Journal' of Dec. 27, 1906—

DOMINION OF CANADA

New Tariff Proposals.—The Board of Trade have received from the Canadian Customs Department copies of Memoranda (Nos. 1,379 B and 1,381 B), dated November 30, 1906, giving the Tariff Resolutions which were introduced into the Canadian Parliament on November 29 last [1906], and which affect the rates of duty leviable on various articles imported into the Dominion of Canada.

The present proposals, which came into force on November 30 last, provide for the application of three tariffs—viz., a British Preferential, an Intermediate, or a General

Tariff, instead of a British Preferential and a General Tariff, as previously in force.

Under the British Preferential Tariff, preferential treatment is accorded goods, the produce or manufacture of the same countries as under the old tariff, but on a somewhat modified basis—viz. a duty, varying with the article, but lower than under the General Tariff, is imposed upon *certain* articles, instead of a similar percentage reduction of the general rate of duty being allowed on all articles (with few exceptions as to alcoholic liquors, tobacco, woollens, cordage, glass and chinaware, &c.).

The *surtax* of 33½ per cent. of the duty on goods of any foreign country which treats Canadian goods less favourably than those from other countries is continued.

Provision is also made, as under the old tariff, for the imposition of *special* duties in certain cases.

WEST INDIA ISLANDS (JAMAICA)

Whenever it shall be proved to the satisfaction of the Governor in Privy Council that the interests of the Island will be advanced thereby, he is authorised, with the advice and consent of the Council, to exempt from duty such articles as may be required for use in connection with local industries, or in the preparation of native products, or otherwise, subject to such regulations and conditions, and for such periods as he may see fit.



APPENDIX B.

VALUE (IN RUPEES) OF MERCHANDISE IMPORTED INTO BRITISH INDIA FROM EACH FOREIGN COUNTRY, FROM 1875-80 TO 1904-05
 From 'Financial and Commercial Statistics of British India.' Compiled in the Office of the Director-General
 of Commercial Intelligence, Calcutta.

	United Kingdom	Austria-Hungary	Belgium	France	Germany	Italy	Russia	Mauritius and Réunion	United States
1875-76	38,47,61,200	9,55,399	2,170	52,93,540	2,35,370	41,06,490	25,640	75,35,800	20,14,609
1876-77	31,76,39,570	8,77,600	16,500	46,33,930	90,790	33,40,860	—	26,32,760	17,23,700
1877-78	34,47,87,080	11,31,830	1,900	45,11,900	2,54,330	34,94,890	—	64,32,740	27,07,170
1878-79	30,09,58,830	12,16,850	2,660	39,11,100	5,16,330	38,30,870	—	1,30,39,280	34,88,230
1879-80	33,42,12,330	11,55,510	80	42,83,080	6,62,710	44,06,900	—	83,33,550	59,62,620
Annual average	32,38,81,806	10,69,446	4,522	45,26,808	3,51,984	38,53,882	25,640	75,94,886	30,57,282
1880-81	44,02,62,720	22,80,800	9,300	79,55,840	6,85,180	57,63,390	4,02,000	1,20,68,530	49,58,840
1881-82	40,66,10,430	20,59,450	23,500	67,75,950	7,82,520	52,53,020	3,78,580	96,53,780	46,60,640
1882-83	42,44,34,020	27,07,170	7,84,340	48,47,390	9,14,480	44,51,530	1,01,890	88,31,710	93,43,420
1883-84	45,43,06,000	39,35,010	17,62,580	66,69,840	12,18,070	51,87,350	—	77,06,990	54,21,460
1884-85	44,05,77,480	47,79,580	24,72,270	62,42,530	9,28,040	41,88,910	19,300	1,67,20,220	1,13,30,280
Annual average	43,44,50,140	33,38,802	10,10,238	62,78,310	9,05,658	49,68,934	2,25,465	1,03,96,296	71,43,008
1885-86	45,41,75,620	45,20,700	26,67,420	62,41,050	12,00,690	41,46,500	54,860	1,10,79,760	83,52,880
1886-87	49,85,46,700	72,40,250	29,52,530	80,35,150	16,03,000	42,55,780	6,77,450	1,65,68,431	1,17,03,390
1887-88	51,65,06,270	77,10,750	30,84,410	84,92,930	19,44,930	37,10,710	22,73,000	1,55,05,730	1,02,02,790
1888-89	55,41,22,290	70,86,590	54,95,710	91,45,960	24,85,160	50,48,170	83,48,460	1,57,66,700	1,04,06,280
1889-90	52,90,21,130	79,37,600	87,38,270	97,50,470	50,41,450	51,05,110	74,19,700	1,73,31,430	1,29,98,730
Annual average	51,04,74,402	68,39,178	45,87,488	83,33,896	26,74,016	44,53,258	77,54,684	1,62,54,422	1,16,12,788
1890-91	55,01,91,041	83,28,767	97,67,659	81,58,266	1,69,16,486	49,27,127	85,89,680	1,70,20,632	1,59,23,651
1891-92	51,08,75,956	83,94,230	1,32,43,591	1,04,16,785	1,52,58,370	53,02,213	1,12,91,456	1,72,08,060	1,19,94,583
1892-93	47,65,21,786	1,03,20,061	1,64,58,121	1,04,03,007	1,45,15,833	35,63,080	1,42,86,234	1,47,46,174	1,13,44,381
1893-94	55,04,70,657	1,37,14,175	2,05,32,779	1,13,82,622	1,71,57,612	44,85,716	1,26,39,140	1,78,72,682	2,01,58,153
1894-95	54,31,65,300	1,19,42,419	1,86,63,656	86,07,662	1,73,16,610	34,20,390	1,00,76,455	1,96,33,779	2,10,64,788
Annual average	52,62,44,960	1,05,39,930	1,57,33,161	97,93,682	1,62,33,032	42,51,705	1,14,94,789	1,72,94,268	1,39,59,111
1895-96	50,74,19,602	1,32,30,443	2,72,66,462	97,90,750	2,35,24,147	42,08,139	1,86,75,582	1,77,14,001	1,13,94,372
1896-97	54,59,59,578	1,45,79,320	2,40,42,693	92,04,349	2,30,92,349	46,47,171	2,01,95,944	1,80,79,266	1,40,72,802
1897-98	50,28,26,881	1,14,50,258	2,28,32,982	88,28,024	2,43,45,191	50,90,936	2,08,07,595	1,68,47,650	1,44,13,810
1898-99	50,69,27,689	2,42,88,102	2,24,80,610	1,03,48,854	1,72,81,337	55,60,890	2,05,99,949	1,96,00,047	1,37,86,047
1899-1900	53,00,00,480	2,38,39,963	1,87,07,158	1,02,60,345	1,68,51,510	74,03,229	2,05,14,727	1,64,82,483	1,59,16,236
Annual average	51,96,25,046	1,95,45,417	2,30,75,981	96,80,420	2,10,18,907	53,83,873	2,08,44,753	1,76,44,761	1,38,62,688
1900-01	53,10,43,596	3,13,78,120	2,46,09,659	1,10,86,999	2,60,36,840	82,67,391	2,83,94,391	2,41,95,481	1,36,43,435
1901-02	59,50,94,601	3,96,19,632	3,09,70,965	1,37,07,753	3,07,07,942	97,48,697	3,18,61,685	1,96,11,667	1,29,91,789
1902-03	59,11,10,511	2,56,67,484	3,15,83,230	1,41,87,123	2,18,02,733	83,56,930	2,70,58,433	2,00,08,593	1,24,32,187
1903-04	62,30,09,425	2,22,10,285	3,32,94,252	1,61,79,843	3,20,79,865	95,47,054	2,49,57,084	2,60,88,033	1,27,06,866
1904-05	70,34,04,234	4,00,81,328	3,53,20,293	1,80,53,040	3,74,91,993	1,24,39,931	2,61,27,163	2,01,12,165	1,53,85,317
Annual average	60,87,32,488	3,17,91,770	3,11,55,680	1,46,60,772	2,96,22,445	96,71,986	2,57,99,911	2,20,03,170	1,34,49,913

	Arabia and Persia, including Mekran and Sonmiani	Ceylon	China	Japan	Straits Settlements	Turkey in Asia	Australia	Other Foreign Countries	Total
1875-76	62,84,900	54,02,710	1,51,81,040	53,544	95,08,700	16,39,790	31,37,210	47,68,446	38,89,16,590
1876-77	73,63,070	59,23,570	1,11,00,700	19,491	94,06,000	13,04,280	28,04,870	54,77,749	37,44,06,300
1877-78	86,08,670	59,07,590	1,42,36,730	17,431	1,07,07,000	57,21,590	29,83,090	54,869,130	41,46,41,850
1878-79	93,89,400	52,31,440	1,39,43,730	17,475	1,16,02,580	37,84,450	12,51,000	48,79,005	37,80,95,040
1879-80	99,03,240	52,99,000	1,57,92,740	10,085	1,27,86,540	20,24,940	24,43,750	59,31,955	41,16,60,030
Annual average	83,10,290	57,38,942	1,40,50,580	23,897	1,08,32,180	27,13,010	25,27,984	51,23,857	39,36,28,134
1880-81	89,10,960	55,51,210	1,49,98,330	69,610	1,47,67,080	18,19,220	11,30,560	55,85,190	53,11,67,700
1881-82	86,97,660	44,15,050	1,54,10,110	31,902	1,54,23,370	25,17,330	22,64,430	57,77,018	49,11,33,740
1882-83	91,81,270	60,35,270	1,67,33,600	1,91,730	1,59,69,400	29,37,330	27,74,080	55,22,460	59,09,37,110
1883-84	89,67,540	60,81,590	1,14,56,560	1,47,958	1,61,35,720	29,27,270	55,74,510	60,14,032	55,27,93,480
1884-85	1,01,17,690	46,42,690	1,86,57,330	5,04,749	1,70,97,530	20,94,310	46,54,210	57,94,201	55,70,39,720
Annual average	92,28,824	53,45,162	1,92,31,220	1,89,190	1,58,78,624	21,98,172	36,77,164	55,98,580	53,08,16,550
1885-86	1,02,67,570	57,08,370	1,85,19,920	2,30,999	1,61,26,360	22,22,390	42,26,030	68,17,531	58,65,38,690
1886-87	97,26,540	53,88,450	1,18,51,420	2,00,773	1,59,07,870	17,98,600	39,22,080	73,65,167	61,77,73,510
1887-88	1,08,02,550	63,36,630	2,41,53,210	2,05,797	2,11,97,720	27,59,030	48,48,850	1,01,23,813	65,00,46,120
1888-89	1,16,02,690	55,44,670	1,91,18,850	2,38,355	2,27,87,830	37,68,600	29,41,110	99,02,245	69,44,04,670
1889-90	1,28,55,360	63,23,720	2,45,12,450	2,81,971	2,44,15,630	44,09,110	39,62,970	78,44,499	69,19,74,890
Annual average	1,10,80,942	58,60,368	2,16,37,170	2,49,439	2,00,87,082	29,91,546	39,80,208	84,10,681	64,21,51,588
1890-91	1,10,07,005	71,34,655	2,42,03,883	5,76,724	2,39,05,849	36,20,456	25,33,720	85,48,972	71,97,53,703
1891-92	1,23,90,213	67,03,516	2,87,71,383	6,57,401	2,35,88,134	37,02,238	29,13,005	1,00,51,158	69,43,23,803
1892-93	1,23,84,846	67,06,110	2,84,25,505	9,12,103	2,37,29,521	47,71,738	39,04,763	1,05,99,510	66,26,52,773
1893-94	1,18,56,378	69,80,823	3,54,26,532	25,00,956	2,32,49,416	44,73,310	24,46,958	1,28,45,597	72,02,44,315
1894-95	1,39,25,429	45,53,336	2,66,39,084	28,88,976	2,10,36,774	49,58,106	30,32,025	1,52,76,147	73,52,80,986
Annual average	1,22,08,574	64,16,088	2,86,96,457	15,11,244	2,35,20,139	45,24,788	26,63,894	1,14,64,057	71,84,46,909
1895-96	1,56,63,442	54,69,025	2,80,61,675	41,71,979	2,97,53,953	59,32,487	26,06,114	1,48,45,356	72,93,67,533
1896-97	1,25,08,016	70,01,580	2,14,94,719	54,73,557	1,84,22,730	39,16,630	45,27,803	1,30,67,966	76,11,73,730
1897-98	1,27,02,383	1,09,57,762	1,69,17,420	53,45,100	2,21,01,999	29,12,863	33,44,197	1,76,61,959	73,64,70,349
1898-99	1,09,00,785	70,37,755	1,69,21,533	54,50,827	2,00,77,335	14,55,084	34,62,368	1,49,17,707	72,10,15,200
1899-1900	1,71,32,899	62,13,357	1,59,71,814	59,16,469	1,93,78,039	45,49,371	44,61,701	1,77,42,104	75,30,44,803
Annual average	1,37,37,269	73,35,896	1,98,72,032	50,91,604	2,05,46,999	35,71,167	36,80,497	1,56,47,018	74,02,14,339
1900-01	1,26,08,993	76,83,395	2,54,82,846	83,84,499	2,31,75,084	54,46,819	78,26,846	1,86,82,479	80,89,45,896
1901-02	1,42,33,957	91,24,472	1,86,27,389	71,11,819	2,33,16,690	31,04,042	69,50,471	2,15,41,967	88,78,03,498
1902-03	1,37,61,457	70,73,365	2,21,22,462	84,45,793	2,33,09,939	18,59,788	49,00,165	2,46,21,685	90,81,91,646
1903-04	1,21,01,837	73,80,460	1,98,04,349	1,28,24,656	2,45,86,915	37,73,697	75,67,225	3,77,27,332	92,59,23,723
1904-05	1,21,26,233	69,65,092	1,92,56,674	1,12,33,391	2,04,91,312	36,28,669	1,00,13,812	3,46,94,939	1,04,41,27,454
Annual average	1,31,74,477	75,06,339	2,09,37,644	96,60,032	2,49,36,011	35,72,506	74,70,898	2,08,55,680	90,49,98,643

APPENDIX C

VALUE (IN RUPEES) OF MERCHANDISE EXPORTED FROM BRITISH INDIA TO EACH FOREIGN COUNTRY, FROM 1875-86 TO 1924-05
From 'Financial and Commercial Statistics of British India.' Compiled in the Office of the Director-General
of Commercial Intelligence, Calcutta.

	United Kingdom	Austria-Hungary	Belgium	France	Germany	Italy	Eastern Coast of Africa	Egypt	Mauritius and Réunion	United States
1875-76	28,09,21,225	1,41,02,822	13,72,713	4,51,51,849	13,09,480	1,22,31,379	25,83,953	20,38,484	86,70,178	1,77,84,094
1876-77	28,03,07,431	1,42,79,850	36,63,654	5,35,80,531	19,87,376	1,41,00,652	28,45,570	45,27,997	1,00,40,658	1,89,56,096
1877-78	29,01,48,994	1,46,58,016	31,87,060	5,06,76,077	33,07,644	1,47,00,068	28,10,805	57,79,554	1,19,86,057	1,93,27,274
1878-79	35,91,55,936	1,39,49,103	12,28,5	3,94,15,817	30,74,608	1,67,31,954	32,99,666	34,65,016	1,38,70,597	2,03,86,898
1879-80	27,41,51,745	1,55,16,149	11,99,399	4,85,38,846	27,29,495	2,21,49,056	34,20,874	97,17,848	1,14,68,701	3,28,66,501
Annual average	27,81,54,876	1,51,16,190	16,86,222	4,92,72,624	22,91,792	1,67,82,622	34,78,234	51,05,780	1,11,68,448	2,18,64,173
1880-81	31,04,47,991	1,22,60,143	33,59,323	6,49,60,156	33,72,822	2,78,12,021	57,53,550	1,42,33,957	1,00,04,666	2,18,64,173
1881-82	34,06,53,630	2,43,28,283	1,07,05,794	8,01,40,285	25,83,977	3,10,74,224	46,51,628	1,71,51,363	90,00,316	2,69,54,335
1882-83	35,44,11,332	2,60,25,564	2,15,17,279	7,20,79,797	51,77,654	3,38,35,073	58,27,093	2,15,57,665	90,64,302	3,34,32,186
1883-84	37,05,03,401	2,25,23,000	3,40,33,369	8,34,29,925	61,03,594	3,59,07,409	59,53,342	3,66,29,002	93,83,076	3,10,36,892
1884-85	33,61,41,883	2,35,93,792	3,12,19,788	8,18,63,042	56,94,053	3,50,10,023	57,27,338	2,86,83,478	94,75,480	3,46,86,471
Annual average	34,42,31,525	2,37,34,956	2,19,65,288	7,64,94,641	55,98,404	3,25,87,764	55,02,590	2,34,11,333	93,05,488	3,04,57,034
1885-86	34,30,10,047	2,01,41,756	3,73,00,115	6,69,55,201	40,32,250	3,65,85,202	48,24,537	3,26,47,214	1,00,90,008	3,04,74,371
1886-87	34,30,67,036	2,03,94,527	3,66,86,450	7,72,30,152	78,47,207	5,27,02,096	60,20,537	2,55,05,938	1,07,84,899	3,24,81,130
1887-88	35,05,87,737	2,73,45,086	3,17,13,502	7,20,98,202	1,03,23,472	4,52,75,457	60,74,654	3,23,88,386	1,21,702	3,78,27,369
1888-89	37,48,86,323	3,04,81,951	4,66,76,606	8,46,99,547	1,40,55,089	3,40,97,718	69,17,822	3,51,00,547	93,87,569	3,61,30,823
1889-90	39,14,05,931	2,97,22,392	5,64,43,615	7,74,62,544	2,78,35,114	4,25,71,871	94,35,789	3,00,07,228	1,29,83,133	3,76,87,394
Annual average	36,05,92,815	2,68,17,137	4,16,44,082	7,66,89,169	1,30,16,214	4,24,44,469	68,34,560	3,23,29,881	1,26,95,642	3,49,20,217
1890-91	32,27,59,221	2,95,01,862	4,65,23,349	7,87,92,681	4,30,50,071	3,663,91,310	90,53,998	4,54,37,086	1,39,70,604	3,98,16,371
1891-92	34,59,55,922	2,18,07,721	5,46,62,581	10,60,76,046	5,00,11,053	3,30,44,212	91,48,685	2,91,96,967	1,39,78,101	3,87,07,489
1892-93	33,32,11,892	2,66,23,713	4,19,90,125	9,10,19,881	6,52,80,666	3,66,73,091	97,56,502	4,87,22,528	1,40,06,159	4,52,78,408
1893-94	34,65,35,663	2,94,94,727	5,76,56,773	10,60,43,112	7,44,96,190	3,72,44,198	86,26,118	3,72,31,110	1,56,55,504	3,35,08,209
1894-95	33,85,44,528	2,44,33,956	3,79,55,438	8,68,17,169	7,73,36,177	2,99,83,039	1,02,33,226	4,66,91,832	1,69,44,628	3,81,23,995
Annual average	33,84,03,433	2,68,72,396	4,81,40,241	9,46,49,780	6,27,75,246	3,73,63,334	93,64,106	5,00,56,086	1,47,90,815	4,31,82,868
1895-96	36,15,53,657	2,35,05,061	3,95,32,813	8,67,84,427	8,06,07,669	3,14,00,002	1,07,43,914	5,20,74,048	1,42,92,058	5,01,38,965
1896-97	32,04,48,350	2,59,35,785	3,05,95,838	6,36,81,423	7,54,68,395	3,05,08,701	1,13,03,776	4,68,03,725	1,46,41,848	4,81,88,080
1897-98	30,33,64,594	2,10,58,049	3,03,92,386	5,04,27,777	7,18,84,355	2,69,89,340	97,13,367	3,30,44,018	1,58,67,065	5,87,00,952
1898-99	32,67,87,343	2,09,75,131	4,74,92,115	7,66,44,152	8,25,49,396	3,22,06,133	1,46,10,766	5,58,54,153	1,76,70,231	5,38,73,043
1899-1900	31,77,87,720	2,71,57,802	3,43,45,636	6,66,44,090	7,53,11,043	2,76,34,157	1,25,45,685	5,68,44,399	1,43,74,873	7,61,04,498
Annual average	32,73,06,335	2,35,46,596	3,64,71,688	7,03,60,654	7,71,64,166	2,99,83,086	1,21,54,084	5,26,57,941	1,36,02,788	5,92,30,487
1900-01	32,05,42,646	2,71,96,068	3,56,07,134	6,01,71,997	9,21,96,832	3,09,63,588	1,42,24,500	4,51,87,979	1,43,89,684	7,38,22,825
1901-02	31,13,40,947	2,38,46,956	4,76,79,025	8,89,49,111	10,17,71,554	3,93,93,623	1,18,13,809	5,16,89,830	1,49,92,173	8,04,04,700
1902-03	32,41,02,576	2,31,88,947	4,05,49,987	9,15,26,026	10,17,58,202	3,41,99,346	1,47,45,821	4,75,872	1,71,66,500	1,31,45,083
1903-04	41,28,44,287	4,31,30,394	7,67,59,754	9,85,83,980	14,81,04,990	4,98,30,862	1,83,99,848	1,43,69,883	1,48,37,504	9,05,59,578
1904-05	43,16,01,866	4,69,80,439	8,39,93,841	9,55,95,197	14,30,62,991	4,98,08,490	1,62,88,883	1,33,19,909	1,29,55,626	9,73,151,432
Annual average	36,00,88,273	3,56,70,361	5,88,58,128	8,70,45,248	11,73,96,787	3,74,77,170	1,50,93,942	4,04,90,718	1,40,11,201	8,58,90,062

INDIAN EXPORTS

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	South America	Aden	Arabia and Persia, including Melkan and Somali	Ceylon	China	Japan	Straits Settlements	Australia	Other Foreign Countries	Total
1875-76	18,59,712	34,00,536	1,37,34,569	1,65,97,818	11,50,58,789	61,355	2,60,21,567	32,36,798	1,46,97,545	58,09,14,946
1876-77	17,14,744	31,23,404	1,27,72,317	2,31,64,102	12,08,80,475	1,76,997	2,39,18,273	29,39,627	1,10,35,719	61,01,38,912
1877-78	19,09,000	33,87,612	1,60,24,283	2,56,94,317	19,74,31,547	51,601	2,60,16,908	45,56,359	1,27,86,784	65,92,53,432
1878-79	27,07,823	39,29,471	1,85,89,273	2,95,09,731	13,97,32,995	5,04	2,68,2,73,588	51,66,123	1,27,70,989	69,23,75,231
1879-80	26,54,907	47,58,185	1,95,00,944	2,01,87,015	15,52,36,773	8,58,939	2,62,33,235	45,99,214	1,23,54,556	69,21,23,627
Annual average	21,90,501	37,19,784	1,61,24,277	2,23,66,493	13,22,68,093	3,30,610	2,61,08,714	40,99,618	1,27,27,119	62,49,55,180
1880-81	23,84,332	58,52,287	2,09,32,819	1,77,92,473	14,94,36,592	10,73,641	3,16,19,451	53,37,434	2,39,00,745	74,58,06,020
1881-82	26,93,695	49,28,395	2,14,01,073	1,62,08,453	13,62,50,819	13,600	3,52,42,100	80,37,798	2,38,63,692	81,96,84,597
1882-83	27,05,304	59,79,566	2,25,36,291	1,59,29,571	13,16,01,053	23,79,941	3,39,90,624	1,08,89,493	2,81,91,166	87,16,01,902
1883-84	43,78,255	62,06,116	2,43,32,434	2,38,00,000	13,77,56,032	36,78,821	3,07,66,475	59,60,546	2,51,52,553	88,17,60,992
1884-85	39,49,069	65,91,233	2,01,97,625	1,85,49,958	12,56,46,602	28,01,760	3,42,56,164	78,43,053	2,26,09,339	83,45,52,921
Annual average	29,34,185	60,11,659	2,09,12,228	1,83,67,231	13,49,38,218	20,86,864	3,36,54,963	76,15,465	2,52,21,501	82,29,31,115
1885-86	43,91,386	64,13,268	2,24,17,315	1,91,93,760	16,05,75,635	97,58,083	3,69,16,137	58,97,857	2,72,28,596	83,88,12,637
1886-87	35,51,278	73,34,086	2,59,21,552	1,89,53,920	13,43,38,977	37,85,318	4,15,48,816	53,07,292	2,66,51,963	88,47,01,472
1887-88	41,81,489	91,61,701	2,47,72,008	1,68,16,677	13,09,21,005	71,86,046	4,19,95,947	1,12,50,947	2,82,97,305	99,54,36,845
1888-89	49,55,201	86,00,754	2,48,08,911	2,06,30,102	14,75,40,318	1,03,73,229	4,39,51,348	1,09,70,199	3,00,61,141	97,04,95,321
1889-90	78,31,325	89,41,115	2,83,66,080	2,32,11,456	13,93,67,204	1,22,19,518	4,82,77,325	1,07,22,069	3,11,25,281	103,46,03,884
Annual average	49,82,164	81,54,185	2,50,77,173	2,05,61,174	13,45,42,832	72,64,548	4,25,37,515	88,29,533	2,86,65,852	92,68,08,932
1890-91	73,05,597	90,51,624	2,79,70,263	2,08,05,839	14,44,25,408	1,24,27,944	5,78,21,015	1,22,69,718	3,52,97,816	100,22,73,477
1891-92	99,68,127	86,74,782	3,05,72,569	2,93,16,760	13,82,38,951	1,20,92,079	5,26,13,317	97,43,730	4,24,76,164	108,17,35,016
1892-93	1,36,92,795	99,28,773	3,14,16,017	3,59,58,948	14,55,42,858	1,01,73,722	4,74,98,120	1,11,78,362	4,31,91,423	106,59,54,751
1893-94	1,18,19,910	94,49,368	2,96,30,415	3,22,30,050	11,12,95,176	1,41,11,768	4,84,22,442	1,02,54,442	4,96,26,477	100,50,33,693
1894-95	1,58,04,721	1,09,47,447	3,67,11,048	3,45,97,284	12,96,76,019	1,68,14,768	5,64,62,694	1,33,06,018	5,04,57,327	108,91,37,782
Annual average	1,18,01,479	96,90,399	3,12,98,062	3,11,82,976	13,32,95,682	1,44,36,050	5,25,63,847	1,13,50,455	4,42,09,841	106,08,27,124
1895-96	1,18,23,050	98,40,176	3,05,11,249	3,67,40,493	13,94,97,590	2,41,93,833	6,22,35,460	1,21,88,373	4,26,78,776	114,33,47,384
1896-97	1,43,69,734	97,04,644	2,49,47,694	3,24,55,006	13,81,86,637	4,00,94,242	14,53,95,918	1,19,00,445	3,91,95,058	103,98,40,960
1897-98	1,71,49,715	1,00,92,775	2,66,14,693	4,09,88,754	12,32,78,825	4,17,44,585	4,60,58,409	1,23,72,926	2,69,02,859	97,62,27,810
1898-99	1,27,54,179	1,22,02,353	3,18,89,655	4,31,23,301	12,85,40,801	5,23,66,541	5,97,26,943	1,28,74,103	3,11,45,417	117,97,97,248
1899-1900	1,58,04,721	1,05,57,500	2,10,25,521	4,29,70,470	14,21,65,423	6,35,65,201	5,86,07,423	1,26,07,423	2,82,45,787	109,08,33,216
Annual average	1,43,80,080	1,04,81,304	2,69,97,864	3,92,55,567	13,41,33,855	4,53,63,261	5,58,92,519	1,20,68,694	3,36,15,539	107,56,68,324
1900-01	1,31,46,975	85,00,631	2,32,47,212	4,96,23,659	11,86,10,570	2,00,79,404	7,09,98,198	1,61,45,866	4,01,35,959	107,71,85,657
1901-02	1,56,43,821	1,16,28,766	2,59,66,342	4,60,16,621	17,71,81,488	6,96,64,833	6,63,26,613	2,01,03,024	4,95,28,654	122,56,59,911
1902-03	1,61,93,731	1,22,62,280	2,73,41,012	4,53,76,956	15,99,92,785	5,84,52,540	7,79,17,213	1,44,42,459	5,81,27,835	129,39,66,002
1903-04	2,16,00,660	1,81,76,762	2,64,90,616	4,71,28,112	18,06,92,051	8,45,66,936	7,14,31,866	1,91,07,046	9,16,54,384	153,51,71,599
1904-05	2,71,33,575	1,50,10,821	3,69,03,266	5,11,62,447	17,67,24,085	9,74,51,069	6,45,65,240	1,70,72,108	9,23,71,298	157,93,03,009
Annual average	1,87,39,741	1,31,11,888	2,67,89,689	4,78,60,987	16,67,60,196	6,62,25,774	7,08,23,886	1,79,74,181	6,63,63,678	134,54,71,940

APPENDIX D.

From the official German 'Statistisches Jahrbuch,' 1906. Showing the expansion of German trade with India, 1897-1905.

The amounts are given in millions of marks. (A million marks equals £48,960.)

	Imports from India.	Exports to India.
1897	204·6	47·3
1898	220·9	57·1
1899	230·5	65·3
1900	224·7	70·0
1901	214·8	79·6
1902	238·4	70·2
1903	283·8	89·9
1904	327·8	95·9
1905	311·2	98·6

Thus in this short period the exports have more than doubled, and the imports have increased by more than one-half. The trade represented is that with Ceylon and British Malacca, as well as with British India proper.

The goods which Germany purchases from India are almost entirely either foodstuffs or materials for manufacturers—not manufactured articles competing with German products. In 1905 the German imports from British India (not including Ceylon and Malacca) amounted to 277·8 and the principal items of this amount were (in millions of marks):—

Raw cotton	50·1
Jute	47·6
Hides	28·4
Rice	25·1
Linseed	22·6
Rape	14·3

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Shellac	10·5
Oilseed	8·5
Wheat	7·0
Poppyseed	6·6
Caoutchouc and guttapercha	6·4
Coffee	4·6
Copra	4·5
Fleeces and goatskins	3·8
Cotton waste	2·7
Oilcake	2·4
Rice offals	2·3
Cocoanut fibre	2·2

In April, 1903, the Canadians put a surtax on imports from Germany. The effect of this tariff is shown by the following statistics from the German 'Jahrbuch':—

German Exports to Canada

	Marks.
1902	38,700,000
1903	35,800,000
1904	23,200,000
1905	21,800,000

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APPENDIX E.

AREA, CULTIVATED AND
From Blue-book

Administrations	Area according to Survey	DEDUCT		
		Feudatory and Tributary States	Area for which no Returns exist	Total
Bengal	122,392,054	24,711,680	—	24,711,680
United Provinces (Agra) .	57,016,816	3,791,488	2,375,396	6,166,884
„ „ (Oudh)	15,337,846	—	—	—
Punjab	86,748,004	24,527,360	5,022,720	29,550,080
North-West Frontier Province	8,497,558	—	140,800	140,800
Upper Burma	53,038,576	3,997,140	—	3,997,140
Lower Burma	54,970,893	—	—	—
Central Provinces	74,174,539	18,838,423	4,990,905	23,829,328
Berar	11,332,580	—	—	—
Assam	33,893,100	2,558,080	12,918,417	15,476,497
Ajmer-Merwara	1,693,728	—	733,197	733,197
Coorg	1,012,260	—	—	—
Madras	96,821,342	6,147,430	24,359,725	30,507,155
Bombay	85,565,952	36,953,600	4,412,717	41,366,317
Sind	33,916,197	3,872,000	124,908	3,996,908
Pargana Manpur *	38,871	—	—	—
Total	736,450,316	125,397,201	55,078,785	180,475,986

* A British district in Central India.

LAND AVAILABLE FOR CULTIVATION 103

UNCULTIVATED, IN 1904-5; IN ACRES

Cd. 3166

NET AREA		CULTIVATED		UNCULTIVATED		Forests
According to Survey	According to Village Papers	Net Area actually Cropped	Current Fallows	Cultivable Waste other than Fallow	Not available for Cultivation	
97,680,374	97,680,374	51,472,400	4,939,712	11,918,532	24,171,035	5,178,695
50,849,932	50,858,912	26,583,488	1,609,119	7,813,419	6,381,548	8,471,338
15,337,846	15,463,239	9,321,903	425,876	2,878,534	2,231,485	605,441
57,197,924	57,186,019	23,217,955	4,292,929	17,955,853	8,337,748	3,375,534
8,356,758	8,464,135	2,018,378	675,735	1,999,764	3,480,512	289,746
49,041,436	49,041,436	4,622,300	2,293,493	8,965,823	25,852,895	7,306,925
54,970,893	54,970,893	7,932,748	557,502	15,353,637	25,029,293	6,097,713
50,345,211	50,560,412	17,688,321	2,519,062	14,869,454	4,460,203	11,023,372
11,332,580	11,368,463	7,351,106	617,734	215,303	847,575	2,336,745
18,416,603	18,416,603	4,965,329	1,226,890	7,889,950	1,904,351	2,430,083
960,531	960,565	327,570	86,490	106,043	351,402	89,060
1,012,260	1,012,260	139,727	136,916	23,435	301,467	410,715
66,314,187	66,441,505	25,525,978	7,967,143	6,468,312	13,556,677	12,923,395
44,199,635	44,199,635	23,190,391	7,145,891	1,512,126	5,018,567	7,332,660
29,919,289	29,919,289	3,357,078	4,993,030	6,619,374	14,280,706	669,101
38,871	38,871	7,641	592	9,550	1,315	19,773
555,974,330	556,576,611	207,722,313	39,488,114	104,599,109	136,206,779	68,560,296

APPENDIX F.

AREA UNDER IRRIGATION
From Blue-book

Administrations	Total Area Cropped	AREA IRRIGATED		
		By Canals		By Tanks
		Government	Private	
Bengal	63,210,900	826,204	—	—
United Provinces (Agra)	32,238,349	1,831,118	2,890	1,032,998
„ „ (Oudh)	12,249,662	—	—	715,396
Punjab	26,956,996	5,374,888	458,766	19,927
North - West Frontier Province	2,419,254	186,051	406,193	—
Upper Burma . . .	5,009,992	290,819	236,590	125,880
Lower Burma . . .	7,936,649	30	25,640	2,944
Central Provinces . .	19,281,557	556	—	596,189
Berar	7,369,949	—	—	102
Assam	5,287,587	—	—	—
Ajmer-Merwara . . .	361,307	—	—	15,168
Coorg	141,141	1,370	—	—
Madras	28,755,657	2,923,570	67,165	2,010,452
Bombay	23,697,170	114,188	12,810	95,110
Sind	3,682,749	2,008,465	794,497	—
Pargana Manpur . . .	7,993	—	—	—
Total	238,606,912	13,557,259	2,004,551	4,614,166

STATISTICS OF INDIAN IRRIGATION 105

IN 1904-5; IN ACRES

Cd. 3166

AREA IRRIGATED			CROPS IRRIGATED *			
By Wells	Other Sources	Total Area Irrigated	Wheat	Other Cereals and Pulses	Miscellaneous Food Crops	Other Crops
—	—	826,204	30,924	729,841	67,321	8,118
2,961,287	359,411	6,187,704	1,905,118	3,153,693	179,255	1,506,707
1,004,177	29,666	1,749,239	628,119	862,673	56,529	312,284
3,522,102	143,752	9,519,435	3,956,170	2,331,395	605,038	2,626,832
92,589	25,787	710,620	234,520	327,172	47,559	101,369
12,051	56,160	721,500	4	709,931	31,244	104
1,186	46,042	75,842	—	73,531	2,343	22
67,751	30,024	694,520	22,775	614,019	54,789	2,937
35,292	293	35,687	1,051	203	34,267	166
—	—	—	—	—	—	—
44,804	17	59,989	16,971	46,151	3,666	12,371
—	—	1,370	—	1,370	—	—
1,222,873	396,665	6,620,725	†	†	†	†
489,637	77,731	789,476	181,638	407,695	142,942	139,800
30,209	200,811	3,033,982	452,706	2,334,907	41,680	527,495
333	—	333	23	509	14	139
9,484,291	1,366,359	31,026,626	7,420,019	11,593,090	1,266,647	5,238,344

* Includes the area irrigated at both harvests.

† Figures not available.



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